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Contract management and administration in the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly the report of the Joint Inspection Unit entitled "Contract management and administration in the United Nations system".

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JIU/REP/2014/9

CONTRACT MANAGEMENT AND ADMINISTRATION IN THE UNITED NATIONS SYSTEM

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Executive Summary

Contract management and administration in the United Nations system
JIU/REP/2014/9

To meet their mandates and deliver their programmes, organizations of the United Nations system awarded over US$ 16 billion in contracts for goods and services in 2013. This volume of resources demonstrates the extent of risk exposure that organizations are facing when engaging with contractors.

Member States and donors expect these organizations to establish governance structures and measures of accountability to ensure efficient and effective management of contracts and minimize the risk of fraud, corruption and mismanagement. In response, the organizations have introduced reforms to modernize and streamline procurement. Progress has been made on many fronts: procurement functions have been strengthened, platforms and networks have been established, and procurement policies and practices among the United Nations system organizations continue to be harmonized.

The reforms, however, have focused mainly on the "pre-award" activities of the procurement process. Less attention has been paid to approaches to effectively manage contracts "post-award" (i.e. after contracts have been signed). This is despite the fact that post-award contract management represents one of the highest risk areas in the procurement life cycle. Regardless of how well a contract is sourced and awarded, it is the activities after award that determine how effectively the contract achieves its objectives and the level of compliance regarding performance, timeliness, quality and cost.

The Joint Inspection Unit (JIU) conducted this review to analyse how the organizations of the United Nations system manage contracts for goods and services after award, with a view to identifying good practices and lessons learned, exploring areas for further improvement and enhancing coherence system-wide.

For the purpose of this review, the term "contract management" refers to the activities that take place after contracts are awarded, inclusive of those relating to "contract administration".

Organizations of the United Nations system enter into a variety of contracts for goods and services, and these can vary significantly in value, duration and complexity. The nature and extent of contract management will thus depend on the size, nature, complexity and risk profile of each contract. This review does not address all components and issues of post-award contract management practices but focuses on common challenges in such areas as: governance of contract management, human resources and capacity-building, performance monitoring, contract change management, automation support systems, and harmonization/ collaboration among organizations.

The review found that contract-management practices are deficient in a number of fronts, and this reinforces similar findings of internal and external auditors of United Nations system organizations. The similarity of contract-management shortcomings across the United Nations system, combined with the magnitude and volume of procurement, demonstrates that a concerted effort by all stakeholders is needed to address this systemic challenge. **The shortcomings identified in this report will continue to occur unless policies and procedures are further refined and specific action is taken to strengthen post-award contract-management practices.**

Main observations and findings

Contract-management policies and procedures are ambiguous and in short supply

- Management and staff throughout the United Nations system acknowledge the lack of detailed policies and procedures specific to contract management and the need for more robust guidance to manage contracts after award. Nonetheless, even in the few cases where guidance does exist, no mechanisms are in place to ensure that policies and procedures are followed consistently (Recommendations 1 and 2).

Contract-management structures, roles and responsibilities need to be clearly defined

- In most organizations contracts are signed by procurement officers, but the subsequent management of the contracts is left to requisitioners, project managers or other parties, with limited involvement by procurement officers or other contract management experts. In most cases roles and responsibilities related to post-award contract-management are not clearly defined or properly delegated. Yet, clear delegation of authority and responsibility to persons managing contracts after award is key to having a well-functioning contract-management system, especially when procurement is decentralized. When such delegation is not provided, the evidence shows inefficiencies and lack of accountability (Recommendation 3).

- Dedicated contract-management units/sections staffed with professional contract-management experts add value and are considered best practice in the private and public sectors. The professionalization of contract management, and the establishment of contract-management units where this is justified by the procurement volume or complexity of contracts, are areas that require attention by senior management and contract-management practitioners alike in United Nations system organizations (Recommendation 4).

Challenges in training and capacity-building

- The review found that most United Nations system organizations are at risk of not having enough staff with the right skills to manage contracts after the contracts have been awarded. Consequently, the challenge that many organizations are facing is whether they have today, or will have in the future, the capacity and skill to manage the contracts of an increasing programme workload. Existing training curricula are of insufficient depth to cover all phases of the procurement process, as they mainly focus on the front end of the process (pre-solicitation, selection and contract award). Training on how to manage contracts post-award has been neglected in most organizations (Recommendations 5 and 6).

Absence of risk management at contract-management level

- In most organizations reviewed, procurement-related risk-management plans, when they exist, address the risks of the pre-award procurement phase, and are generally associated with issues relating to contractor selection. No examples were found of systematic risk assessment at the start of the post-award phase, which would, in addition to identifying risks, help determine what kind of contract-management activities are necessary, how contract management should be staffed, and if and what kind of specialized skills are needed (Recommendation 7).

Monitoring contract performance needs improvement

- Monitoring a contract's performance at regular intervals after award is critical to ensuring goods and services are provided on schedule and within budget, and that quality standards are met, especially for the organization's highest-risk and most complex contracts. Without continuous expert monitoring, risks exist of poor contractor performance, services not being delivered as expected, or payment being made that exceeds the value of the services performed. Although good efforts are made by several organizations to strengthen contract monitoring by issuing improved guidance and monitoring procedures, this review and the evidence provided by field offices point to continuous deficiencies in this area.

Reporting on contractor performance is not done systematically

- Contractor performance evaluations are an important element in the procurement process. They reflect the degree to which a contractor demonstrated the ability to meet cost, schedule and performance expectations on a specific contract. They also reflect the contractor's integrity and business ethics, end-user satisfaction and related information. With few exceptions, the evaluation of contractors is not done systematically and in many cases the mechanisms for providing guidance to persons responsible for such evaluations are not clear. Furthermore, most of the organizations do not have a central system for keeping records of contractor performance evaluations (Recommendation 8).

A harmonized vendor-sanctions framework is needed

- Efforts are under way among the United Nations system organizations to have similar vendor-review frameworks, which would allow them to record and share contractor performance. The intention is to create a central vendor-ineligibility list, which would incorporate individual agency decisions concerning the ineligibility or sanctions of vendors, with entries generated through a common rules-based process. Such a system would help organizations make informed decisions when selecting contractors and minimize the likelihood of a bad or fraudulent performer in one organization being awarded a new contract in another.

Contract modifications

- Modifications made during the execution of a contract are an unavoidable and sometimes frequent occurrence when requirements and circumstances change. The changes could involve the duration of the contract, specifications, the goods/services to be delivered, or administrative changes. Why the modifications occur and how they are managed is a critical part of effective contract execution.

- No organization was able to readily provide aggregate information on the causes and consequences of modifications of current or past contracts. Modifications that reflect cost overruns, delays and unjustified time extensions, and acceptance of inferior products or services, point to deficiencies that appear during the management of contracts. It was not possible to quantify and qualify the effects of such deficiencies owing to the lack of documentation in the reviewed organizations. Lack of information on modification related systemic deficiencies, does not allow for remedial action and can impede cost-effective delivery of programmes (Recommendation 9).

Contract remedies are not always enforced

- Remedies protect an organization when the contract is not carried out in accordance with its terms and conditions or when the contract is breached. Although they are part of standard contract clauses, the review found that remedies are often not enforced in practice, especially in cases involving liquidated damages and/or performance bonds.

- Because of the lack of discipline or know-how to collect the necessary proof to invoke liquidated damages or put a claim on a performance bond, most United Nations system organizations appear to be tolerant with their contractors at the expense of potential financial losses to the organizations and their programmes (Recommendation 10).

Assurance systems and control

- Internal oversight mechanisms, such as audit, investigation and evaluation functions, as well as external oversight, provide assurance and check on efficiency and effectiveness of contract-management operations. Few organizations, however, have made use of other assurance and control mechanisms — such as periodic internal reviews and performance measures — that could monitor procurement activity across the organization. While some headquarters procurement offices have established performance measures to help evaluate the effectiveness of their procurement function organization-wide, these efforts could be more effective by focusing also on post-award issues.

Information systems do not adequately support contract-management activities

- While Enterprise Resource Planning systems provide general functionality for procurement-related processes, they rarely address post-award contract-management functions such as performance monitoring, various alert functions, information on expenditure in real time, or expenditure per procurement officer and per contractor. For example, it might not be possible to know at any one time the accumulated cost overruns, or the total contracting related liabilities an organization is exposed to. Nor is it always possible to tell how much in total contract value a single contractor has been awarded by different offices of an organization. The lack of such information can impede

informed decision-making and hamper effective and efficient management of contracts (Recommendation 11).

Procurement collaboration and cooperation in the United Nations system

- The Chief Executive Board's High-level Committee on Management - Procurement Network has made good progress on a series of harmonization activities in the United Nations system. However, lack of attention to post-award contract management is a matter of concern, as it seems to be viewed as a secondary issue by some members of the Network. Post-award contract management is an area of high risk in the overall procurement life-cycle process and could benefit from collaboration among agencies in harmonizing applicable policies, procedures and guidelines (Recommendation 12).

Recommendations

Recommendation 1

The legislative bodies of the United Nations system organizations should direct the executive heads of their organizations to update and, when necessary, develop specific policies, procedures, guidance and follow-up systems to ensure effective and efficient management of post-award contract activities.

Recommendation 2

The executive heads of the United Nations system organizations should incorporate in their annual statements of internal controls certifications, by individuals with procurement and contracts management authority, that the execution of contracts has been in full compliance with the organization's policies, procedures and rules.

Recommendation 3

The legislative bodies of the United Nations system organizations should direct the executive heads of their organizations to put in place a system whereby the persons designated to manage contracts after award are notified in writing about their accountability and responsibilities when managing a contract, and possess the required qualifications to manage the contract.

Recommendation 4

The executive heads of the United Nations system organizations should re-assess the financial and human-resource needs for post-award contract management in terms of current and projected contract volume, value, complexity and type and decide on the best support structures required (e.g. centralized or decentralized) to ensure best value for money and the achievement of the organization's objectives.

Recommendation 5

The executive heads of the United Nations system organizations should develop a specific contract-management training programme in their organizations that would include courses offered as a requirement for all persons managing contracts of a certain size, value and complexity.

Recommendation 6

The executive heads of the United Nations system organizations should ensure that supervisors of persons managing contracts incorporate contract-management criteria in these persons' annual performance evaluations.

Recommendation 7

The executive heads of the United Nations system organizations should ensure that for contracts of a certain value and complexity risk-management plans are in place covering post-award contract activities. These plans should include risk-mitigation measures and also clear designation of responsibility to those persons executing such measures.

Recommendation 8

The executive heads of the United Nations system organizations should ensure that a system exists in their organizations for documenting and reporting on a contractor's performance in meeting contract requirements, and assign responsibility and management accountability for completeness of the contractor's performance reporting.

Recommendation 9

The executive heads of the United Nations system organizations should conduct a study in their organizations to analyse the causes of modifications in contracts above certain thresholds and identify systemic deficiencies contributing to cost increases and delays. Remedial action should follow to address such deficiencies.

Recommendation 10

The executive heads of the United Nations system organizations should ensure that, when applicable, appropriate levels of liquidated damages and other remedies are included in the standard clauses of contracts and are judiciously enforced to protect the interests and rights of their organizations.

Recommendation 11

The executive heads of the United Nations system organizations should augment the capabilities of their existing information technology systems such as Enterprise Resource Planning systems, or consider other specialized contract-management systems, to support the management of post-award contract activities based on a cost/benefit analysis and taking into account the level of need for such functionality.

Recommendation 12

The Secretary-General of the United Nations, in his capacity as Chair of the Chief Executives Board for Coordination, should ensure that post-award contract-management issues become an agenda item of the High-level Committee on Management-Procurement Network and are addressed in the ongoing initiatives to professionalize and harmonize the procurement process within the United Nations system.

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Abbreviations

BOA	United Nations Board of Auditors
CATS	Contract Administration and Tracking System (UNPD)
CCPM	Contract Compliance and Performance Management Unit/Section (DFS)
CEB	United Nations System Chief Executives Board for Coordination
CIPS	Chartered Institute of Purchasing & Supply
CM-PAM	Contract Management - Process Assessment Model
CPAG	Common Procurement Activities Group (UNOG)
CRC	Contracts Review Committee
DFS	Department of Field Support (United Nations Secretariat)
DPKO	Department of Peacekeeping Operations
ERP	Enterprise Resource Planning
FAO	Food and Agriculture Organization of the United Nations
FRR	Financial Rules and Regulations
HCCs	headquarters contract committees
HLCM PN	High-level Committee on Management - Procurement Network (CEB)
IAEA	International Atomic Energy Agency
IAPWG	Inter-Agency Procurement Working Group
ICAO	International Civil Aviation Organization
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IMO	International Maritime Organization
IT	information technology
ITC	International Trade Centre
ITU	International Telecommunication Union
JIU	Joint Inspection Unit
KPI	key performance indicators
LCCs	country or field offices contract committees
LTAs	long-term agreements

MPF	Model Policy Framework
NTE	not to exceed
OECD	Organization for Economic Cooperation and Development
OHCHR	Office of the United Nations High Commissioner for Human Rights
OIOS	Office of Internal Oversight Services (United Nations Secretariat)
PAHO	Pan American Health Organization
RCCs	Regional offices contract committees
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFP	United Nations Population Fund
UNGM	United Nations Global Marketplace
UNGSC	United Nations Global Service Centre
UN-Habitat	United Nations Human Settlements Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNODC	United Nations Office on Drugs and Crime
UNOG	United Nations Office at Geneva
UNON	United Nations Office at Nairobi
UNOPS	United Nations Office for Project Services
UNPD	United Nations Procurement Division (United Nations Secretariat)
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNSOA/ AMISOM	United Nations Support Office for the African Union Mission to Somalia
UN-Women	United Nations Entity for Gender Equality and the Empowerment of Women

UNWTO	United Nations World Tourism Organization
UPU	Universal Postal Union
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. INTRODUCTION

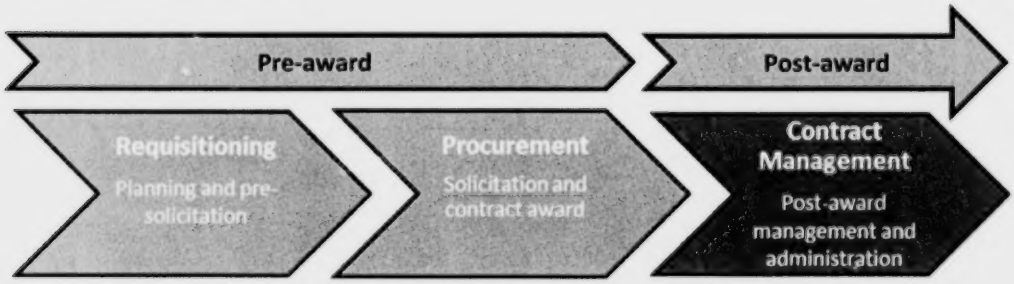
1. In recent years, legislative and advisory bodies, including the General Assembly and the Advisory Committee on Administrative and Budgetary Questions, have emphasized the need for more robust procurement mechanisms to ensure value for money in delivering programmes and activities funded by the United Nations system. Oversight bodies such as the internal and external audit offices of the various organizations have raised concerns about accountability issues relating to contract management and administration and also the lack of assurance that contracts are being performed efficiently and effectively.

2. In recent years organizations have responded by introducing reforms to modernize and streamline their procurement activities. Most of these reforms focus on preparing suitable procurement plans for acquiring goods and services, and selecting the most qualified contractor at the right price. However, the areas of contract management and administration have for the most part been overlooked.

3. The terms "contract management" and "contract administration" are often used synonymously. For the purpose of this review, the term "contract management" is used to address the activities that take place after contracts for goods and services are awarded, and it includes "contract administration" activities. Thus, **contract management, as used in this review, describes "the process that ensures that all parties to a legally binding agreement (contract) meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required and providing value for money".**[1]

4. Contract management comprises the post-award phase of the procurement life cycle, while requisitioning and procurement activities constitute the pre-award phase (see Figure 1). Contract management includes activities such as contract monitoring and reporting, change management, dispute resolution, financial management and contract completion.

Figure 1: Procurement life cycle



5. Although pre-award contract activities were not the focus of this review, the review took into account that several elements of the post-award phase are interlinked with actions and decisions made before a contract is awarded. Effective contract management presupposes that the contract documents were unambiguous and well formulated, that the contract was properly advertised, and that the

[1] *UN Procurement Practitioner's Handbook*, November 2006, Chapter 3, pp. 3-90.

contractor's bid/proposal had been carefully evaluated before the contract was awarded.

A. Objectives and scope

6. The review addressed contract-management activities and issues within the United Nations Secretariat,[2] funds and programmes, specialized agencies, and the International Atomic Energy Agency, inclusive of their headquarters and field activities.

7. **The objective was to analyse current methods and practices used by the United Nations organizations across the system to manage contracts for goods and services after contracts have been awarded, with a view to identifying good practices and/or lessons learned, explore areas for further improvement and enhance coherence system-wide.**

8. Organizations in the United Nations system enter into a variety of contracts that can vary significantly in value, duration and complexity. The nature and extent of contract management will thus depend on the size, nature, complexity and risk profile of each contract. Owing to resource constraints, the report does not address all components and issues of contract management practices, but focuses on common challenges in such areas as governance aspects of contract management, human resources and capacity-building, performance monitoring, change management, automation support systems, as well as harmonization/collaboration among organizations.

9. Neither does the review address specific issues related to specialized type of contracts such as large-scale contracts for developing information-technology systems, which involve milestones of development rather than continuous services, or construction-type contracts, which differ fundamentally from major services contracts. The latter require specialized expertise and construction management teams of engineers that are mostly outside the United Nations staff expertise.[3] Similarly, managing long-term agreements, grants, or agreements with implementing partners involves non-conventional approaches to contracting and some aspects of their management have been addressed in previous JIU reports.[4] Also not included in this review were low-value procurements/short purchase orders and services provided by individual contractors hired through consultancy contracts.

10. It should be noted that other JIU reports on procurement[5] pointed out deficiencies in contract management; however, they did not address the subject in depth, as this was not their focus. The present report supplements those reports by specifically addressing post-award management of contracts.

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[2] Within the United Nations Secretariat, the review covered the Department of Field Support (DFS) and the Department of Management (DM) — Procurement Division.

[3] Capital/refurbishment/construction projects across the United Nations system organizations (JIU/REP/2014/3).

[4] Review of long-term agreements in procurement in the United Nations system (JIU/REP/2013/1); Review of the management of implementing partners in United Nations system organizations (JIU/REP/2013/4).

[5] Procurement practices within the United Nations system (JIU/REP/2004/9); Corporate consultancies in United Nations system organizations (JIU/NOTE/2008/4); Procurement reforms in the United Nations system (JIU/NOTE/2011/1).

11. Not all organizations need to have world-class contract-management processes and methodologies to manage contracts well. For example, an organization with a small number of contracts (of relative complexity) may not need a fully-fledged automation system to manage such contracts. On the other hand, processes and capacities to manage complex, high-value or high-volume contracts are different from those of small contracts and require advanced methods and techniques. This report attempts to address those elements of contract-management activities, which apply to all groups and at different levels. The recommendations, therefore, may not apply equally to all the organizations that participated in this review.

B. Methodology

12. The methodology used in preparing this report included i) detailed questionnaires, ii) system-wide interviews and iii) a targeted survey based on the Contract Management - Process Assessment Model (CM-PAM) described below. The questionnaires were sent to all (28) participating organizations and received responses from 24.[6] Based on the responses, interviews were conducted with officials at the headquarters of selected organizations to get a cross-cutting view of funds and programmes and specialized agencies,[7] focusing on organizations with the highest volume of procurement within the United Nations system.[8] Extensive interviews were conducted with the field offices of various organizations[9] in Nairobi. The data-collection phase also included information received by the International Monetary Fund (IMF) and the World Bank.

13. The Inspector wishes to express appreciation to all who assisted in preparing this report, and particularly to those who participated in the interviews and so willingly shared their knowledge and expertise. Special thanks to UNFPA, UNIDO, WIPO, ILO and the United Nations Secretariat (OIOS) for their valuable contribution to the JIU in developing the CM-PAM methodology.

14. The review also took into account findings of procurement-related audits of internal and external audit offices of United Nations system organizations. Their work in recent years on procurement and contract management has greatly helped bring to the surface the many challenges these organizations are facing in managing contracts. The Inspector found the information in the audit reports invaluable and appreciates the cooperation and contributions from a number of audit offices during the course of the review.

15. An internal peer review procedure was followed to solicit comments from all JIU inspectors before the report was finalized. The draft report was also circulated to United Nations organizations and other stakeholders to correct any factual errors and comment on the findings, conclusions and recommendations.

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[6] United Nations, UNDP, UNEP, UNFPA, UNHCR, UNICEF, UNODC, UNOPS, UNRWA, UN Women, WFP, FAO, IAEA, ICAO, ILO, IMO, ITU, UNESCO, UNIDO, UNWTO, UPU, WHO, WIPO, WMO.

[7] United Nations, UNDP, UNEP, UNHCR, UNICEF, UNODC, UNOPS, WFP, FAO, IAEA, ITU, UNESCO, UNIDO, WHO/PAHO, WIPO.

[8] *2013 Annual Statistical Report on United Nations Procurement*, United Nations Office for Project Services.

[9] OIOS, UNDP, UNEP, UNFPA, UNICEF, UNON, UNOPS, UNSOA/AMISOM, WFP.

16. Annex V contains a table indicating whether the report is submitted for action or for information to the governing bodies and executive heads of the organizations reviewed.

Contract Management - Process Assessment Model

17. JIU developed the CM-PAM as a tool to assess the processes involved in managing contracts during the post-award phase at various organizations. The development of the CM-PAM benefited from work done on procurement assessment models by a number of entities in the public and private sectors, as well as academia.[10] These entities provide assessment tools to measure the development of the procurement process as a whole, but do not address post-award activities in adequate detail for the purpose of this report. The CM-PAM was thus developed to give focus and a more robust approach to post-award activities and also provide an assessment tool specific to United Nations system organizations (see Annex I – parts I and II).

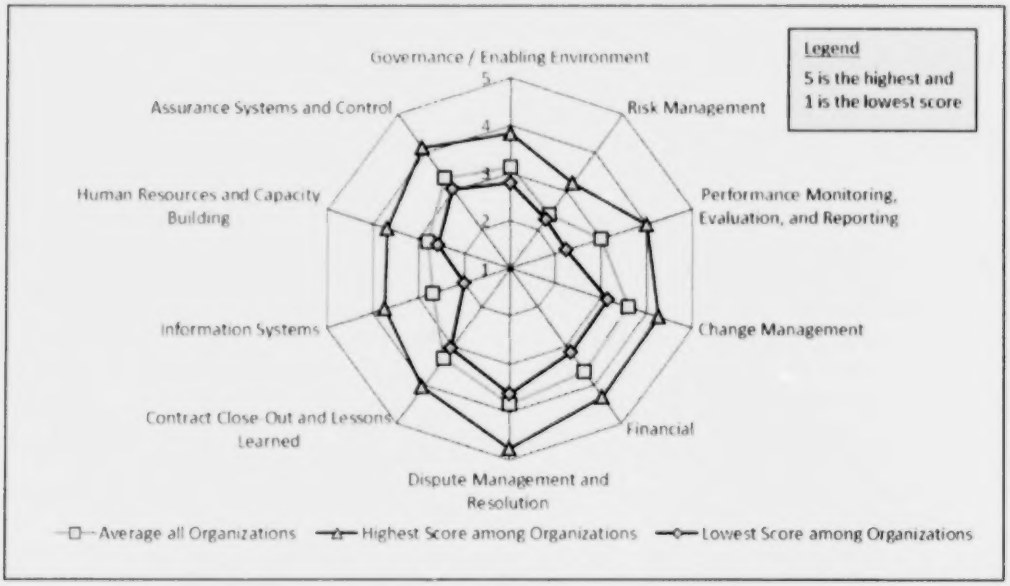
18. The CM-PAM is based on a self-assessment methodology and uses a cross-sectional survey consisting of questions addressing ten key contract management categories and their associated processes. The survey was anonymous and was sent to practitioners of contract management (e.g. contracting officers, requisitioners, project managers) in 14 selected organizations[11] chosen mainly by their volume of procurement. The response rate was 27 per cent (262 responses). The scoring methodology and survey questions are presented in detail in Annex I.

19. Cumulative responses of the United Nations system organizations and associated aggregate scoring results are presented in figure 2. In general terms the graph indicates that, on an aggregate basis, post-award contract-management activities across the United Nations system rank mostly average, with three categories — risk management, information systems and human resources/capacity building — distinctly below average. **It should be noted, however, that while some scores may be average or above average in certain categories, there remains room for improvement across the board.**

[10] They include the IACCM Capability Maturity Model, the Contract Management Maturity Model by Garrett and Rendon (2005), the OECD Methodology for Assessing Procurement Systems (MAPS) and the United States Government Accountability Office (GAO) Framework for Assessing the Acquisition Function at Federal Agencies.

[11] United Nations Secretariat, UNICEF, UNDP,WFP,UNHCR,WHO,UNOPS, PAHO, UNFPA, FAO, WIPO, ILO, UNESCO and UNIDO.

Figure 2: Cumulative CM-PAM results for 14 organizations of the United Nations system



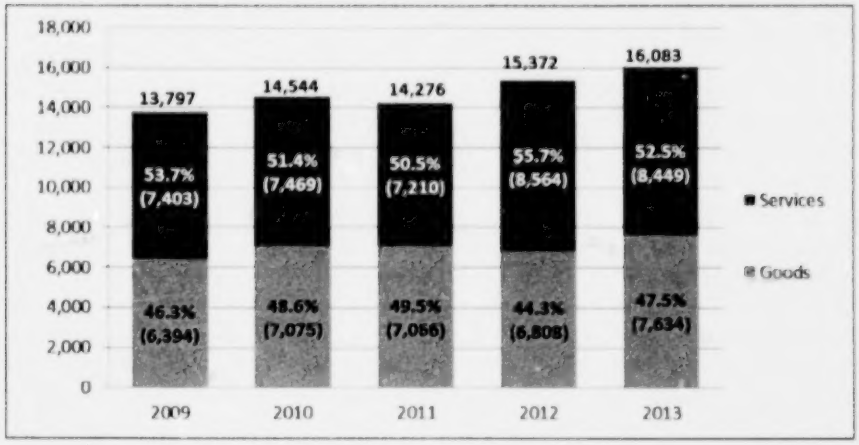
20. When the current report is published each organization will also receive separately its survey results and will be able to see its comparative standing against the maximum, average and minimum ranking of the aggregate score for each key category of the organizations surveyed.

21. **For the purposes of this report, the data received from the CM-PAM survey present a wealth of information and strengthen the observations and findings of the interviews and the separate questionnaire responses received from each organization. Of particular interest are the challenges reported by the participants in the open-ended questions of the survey (see Annex I, part III). Survey results and data are highlighted in the various chapters of this report as appropriate.**

C. Background

22. The organizations of the United Nations system procure more than US$ 16 billion worth of goods and services each year, 52 per cent of which is for services and 48 per cent for goods (see Figure 3).

Figure 3: Total procurement of goods and services, 2009-2013 (percentage, and millions of United States dollars)



Source: United Nations Procurement Division.

23. Table 1 shows that the overall procurement volume of the United Nations organizations is continuously increasing: in 2012, it increased by $1.1 billion (7.7 per cent) over 2011, and in 2013, by $711 million (4.6 per cent) over 2012. Since 2008, the procurement of services by the United Nations system as a share of total procurement has been greater than 50 per cent. The top four procurers — UN Secretariat Procurement Division (UNPD), UNICEF, UNDP and WFP — account for around 67 per cent of the total, and the top 10 procurers account for 91 per cent of the total. The focus of this review was therefore mostly on the top procurers.

Table 1: Total procurement by organization (thousands of United States dollars)

	Goods		*Services*		*Total*	
Organization	*2012*	*2013*	*2012*	*2013*	*2012*	*2013*
UNPD	1 044 293	1 123 312	1 827 435	1 873 770	2 871 728	2 997 082
UNICEF	1 870 145	2 251 686	587 016	489 333	2 457 161	2 741 019
UNDP	761 676	811 168	2 412 240	1 817 718	3 173 916	2 628 886
WFP	1 263 143	1 160 831	1 220 840	1 315 727	2 483 983	2 476 558
UNHCR	284 425	533 819	277 645	418 816	562 070	952 635
WHO	135 093	210 421	554 500	561 425	689 593	771 846
UNOPS	247 130	250 228	492 590	499 103	739 720	749 331
PAHO	625 025	557 214	9 882	27 772	634 907	584 986
UNFPA	215 365	216 887	119 852	148 980	335 217	365 867
FAO	39 108	136 993	47 421	183 129	86 529	320 122
Others	322 221	381 218	1 015 055	1 113 884	1 337 276	1 495 102
Total	**6 807 624**	**7 633 777**	**8 564 476**	**8 449 657**	**15 372 100**	**16 083 434**

Source: Adapted from the *2013 Annual Statistical Report on United Nations Procurement*.

II. GOVERNANCE AND ENABLING ENVIRONMENT

A. Contract-management-related policies and procedures are ambiguous and in short supply

24. Apart from the Department of Peacekeeping Operations of the United Nations Secretariat, no United Nations entity has a policy on contract management. There is usually only slim coverage of contract-management issues in the organizations' procurement manuals.

25. In one organization, contract management is only mentioned as being facilitated by good procurement planning without any definition being given of the actual contract-management process. In another organization's procurement manual, there is only a short reference to contract management, which is reduced to the topic of contractor evaluation. The procurement manual of yet another organization describes "taxes and payments" and "breach or termination of contracts" as the only two areas that fall under its contract-management efforts. A listing of policies and procedures related to contract management and administration is presented in Annex II.

26. The *UN Procurement Practitioner's Handbook*,[12] the *United Nations Procurement Manual* and similar manuals by UNICEF, UNFPA, UNOPS, PAHO, UNRWA, WIPO, ILO, UNWTO and ICAO (see Annex II) address contract management as an integral part of the procurement process and describe a number of tasks that come under it. The *Handbook* provides a more comprehensive description and uses a process-based approach in contrast to the more static approach of other manuals. FAO offers guidelines on contract management for service contracts and framework agreements. At the time of the review, UNDP and WFP were developing guidance to specifically address contract management. PAHO already includes such guidance in its procurement manual.

27. Interviewees throughout the United Nations system acknowledged the lack of policies, procedures and detailed rules — for example, in the form of a standard operating manual — specific to contract management and the need for more robust guidance on managing contracts after award. In addition, 45 per cent of CM-PAM respondents said that post-award-related policies, procedures and rules are not systematically reviewed and improved; and 31 per cent indicated that they are not differentiated based on contract size, complexity or value.

28. Nonetheless, even when guidance does exist, no mechanisms are in place to ensure that existing policies and procedures are followed consistently when contracts are being managed.

29. Internal and external auditors throughout the United Nations system[13] report that a large number of deficiencies in managing contracts result from the lack of clear and distinct policies and procedures and/or failure of staff to carry out their responsibilities properly and be held accountable for their actions.

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[12] The *Handbook* was prepared for procurement practitioners in the United Nations system by the Interagency Procurement Working Group (IAPWG) in 2006. IAPWG is the predecessor of the HLCM Procurement Network.

[13] BOA, OIOS, internal audit offices of UNFPA, WFP, FAO, UNOPS, UNDP and others.

30. The implementation of recommendation 1 should enhance the effectiveness and efficiency of contract management activities.

Recommendation 1

The legislative bodies of the United Nations system organizations should direct the executive heads of their organizations to update and, when necessary, develop specific policies, procedures, guidance and follow-up systems to ensure effective and efficient management of post-award contract activities.

31. The implementation of recommendation 2 should enhance the control, compliance, and accountability aspects of contract management.

Recommendation 2

The executive heads of the United Nations system organizations should incorporate in their annual statements of internal controls certifications, by individuals with procurement and contracts management authority, that the execution of contracts has been in full compliance with the organization's policies, procedures and rules.

B. Contract-management structures, roles and responsibilities not clearly defined

32. Delegation of procurement authority to enter into financial commitments on behalf of an organization is a formal process in all United Nations system organizations. In most cases, procurement officers sign contracts according to their delegated authority. Additional procurement authority is also given to heads of offices and senior officials in the organization. In UNDP, a procurement-capacity-assessment framework is in place, by which the headquarters procurement team travels to a country office to assess its procurement capacity, based on which the office is given procurement authority of a certain threshold. In WFP, procurement officers are involved in contract development and administration but the actual signing of the contract is done by senior officials who hold the procurement authority, either at headquarters or in the field.

33. In most organizations, contracts are awarded and signed by procurement officers, but their management, after the contracts are awarded, is mainly shifted to requisitioners, project managers or other parties, with reduced involvement of procurement officers and/or other officials.[14] The roles and responsibilities of the persons involved in post-award management are usually not clearly defined. While some organizations claim there is adequate clarity in their policies and procedures, most interviewees on the ground indicated many grey areas in roles and responsibilities.

34. The role of procurement officers in the post-award phase is mostly confined to administratively processing contract amendments or extensions, contract closure, record retention and interventions in disputes with contractors. However, there is usually no system in place to ensure their continuous and timely involvement during

[14] ICAO reported, however, that contracts are managed directly by its procurement officers.

the carrying out of the contracts. It is left up to the requisitioners to raise issues with the procurement officers and that is usually done inconsistently.

35. Difficulties arise, especially in organizations with a large volume of service-type contracts and decentralized procurement functions, when the management of post-award contract activities is left solely to the requisitioners, project managers or others who assume the lead role in managing contracts, often without having the expertise for this role. Many country offices rely heavily on persons who perform their contract-management duties in addition to their main functional responsibilities (programme officers, project managers, etc.) and who are not career contract managers or contracting officers. In most cases, the yearly performance appraisals of such persons reflect only their mission-related duties and do not address their procurement-management activities or take into account whether or not they comply with contract-management procedures.

36. Furthermore, this review and numerous internal audit reports reveal that not all persons managing contracts are fully aware of the exact responsibilities and tasks they are supposed to perform. Neither are they aware of the implications their approach in engaging with a contractor might have to the performance and cost of the contract. Examples include making verbal commitments to the contractor, which might constitute a change to the contract, and put the procurement officer in a disadvantage when he/she has to negotiate the change at a later stage; allowing contracts to expire and asking for post-facto and costly contract extensions; approving payment of invoices although the goods/services have not been received; and not keeping appropriate records or being unable to exercise contract-performance security clauses when necessary. These are just some examples from an endless list of what can go wrong when persons with limited contract-management skills and without the support of clear policies, procedures embark upon managing contracts after award.

37. The situation is less ominous with contracts procured and managed at headquarters (corporate contracts), and also with "goods" type contracts whose management tends to be less complex than those for services. Corporate contracts are mainly procured at headquarters and their management is usually well organized and includes: factory and pre-shipment/pre-delivery inspections; spot checks on a sample of major purchases; good manufacturing practice audits of contractors; key performance indicators related to timeliness of delivery and quality of the goods delivered; and country offices participating in acceptance of deliveries.

38. For example, the Chief of the Contracting Centre in UNICEF's Supply Division is the authorized official for approval for all contracts between $100,000 and $1 million not linked to a long-term agreement. The Chief of Contracting approves and signs all such contracts. The chiefs of centres related to goods being purchased are co-signers of the contracts and also act as the contract managers. In UNFPA, there is a Strategic Procurement Cluster, which manages all headquarters contracts.

39. It was observed during the review that in most organizations with decentralized activities, headquarters' procurement offices lack the leverage to ensure that field-office contracting personnel and contract managers comply with corporate procurement directives and policies. While field officers derive their contracting authority from headquarters, they report to the head of country office and not to the headquarters procurement office.

40. Interviewees in a number of organizations indicated that relationships between procurement officials and persons managing contracts have not always been harmonious and that the two parties do not always work collaboratively to define contract requirements and perform other contract-related functions. Some procurement officers assert that contract managers (requisitioners etc.) sometimes leave the procurement officer to work in a vacuum without providing specific contract requirements at the project formulation stage. Also, procurement officers find it difficult to get contract managers to comply systematically with requirements such as monitoring contractor performance or keeping track of deliverables.

41. On the other hand, some contract managers see procurement officers as not being client-oriented or proactive enough in finding ways to meet project needs. Also, a number of contract managers said they were unsure of their roles and responsibilities in the procurement process, that they lacked procurement and contract-management guidance and training, and needed more active support of procurement offices. In the CM-PAM survey, 35 per cent of participants said that inadequate support was given to contract managers and/or requisitioners by other offices in the organization (procurement, legal, finance, etc.).

Need for a formal contract-management designation

42. During interviews with contract management practitioners throughout the UN system, a set of common questions was asked: how is it determined who will manage contracts after award; how is it ensured that contract managers know what their roles and responsibilities are; and how are they supported from a governance point of view.

43. **In relation to the above, the following scenario was presented to the interviewees which represents good practice in the private sector and other public institutions: the person who signs the contract and places the organization under an obligation (usually the contracting officer or contract authority) is ultimately responsible for that contract. Thus, when that person signs a contract he/she designates in writing the execution/management of the contract to his/her representative or a team of representatives. The designation explains (a) what the representative is responsible for, (b) what he or she will be held accountable for, and (c) what skills are required or training may be needed in order to perform the required tasks.** Although most interviewees strongly supported this scenario of delegation of authority, the formal handover of written authority to manage contracts is not practised in the organizations reviewed, except in PAHO and IMO where such written delegation of authority partially exists in a letter form (see Annex III for the delegation letters used).

44. The PAHO *Procurement Practitioner's Handbook*,[15] for example, defines the role of the procurement staff as responsible for managing the business relationship with the contractor. The project officer (contract manager), on the other hand, is responsible for managing the technical relationship with the contractor. Responsibilities of the project officer include providing solutions to contract-performance problems, certifying that the goods, equipment, works and services were delivered as specified, maintaining the contract file, managing day-to-day communication with the contractor, answering technical question and providing

[15] PAHO *Procurement Practitioner Handbook*, March 2014.

direction, monitoring and documenting performance, ensuring availability of funds before requesting contract changes from procurement staff, inspecting/approving deliverable, reviewing/approving the invoice for payment, accepting the final product, and completing contract close-out.

45. In IMO, the contract manager is the requisitioner/budget holder responsible for ensuring that the contract is correctly carried out, for reviewing the contract performance at appropriate intervals, for making recommendations as to renewal/cancellation, and for keeping files for audit purposes.

46. **Formal delegation of authority and responsibility to persons managing contracts is key to having a well-functioning contract-management system, especially when procurement is decentralized. When such delegation is not formally provided, the reported evidence from interviews and the questionnaire shows inefficiencies and the tendency to rely on individuals who often have neither the specialized knowledge nor the training to make prudent contract-management decisions.** Requisitioners, project managers and other persons managing contracts after award should be required to sign a designation letter acknowledging that they accept the responsibilities set forth in the letter. The role of contracting/procurement officers in the post-award phase of a contract should likewise be specifically clarified.

47. The OECD Methodology for Assessing Procurement Systems (February 2010) addresses minimum requirements for delegation of procurement authority. These requirements can equally apply to delegating contract management authority and responsibility as follows: (a) delegation of decision-making authority is decentralized to the lowest competent levels consistent with the risks associated and the monetary sums involved, (b) delegation is regulated by specific contract management policies and procedures, and (c) accountability for decisions is precisely defined.

48. The implementation of recommendation 3 is expected to enhance the transparency, accountability, and effectiveness of contract management.

Recommendation 3

The legislative bodies of the United Nations system organizations should direct the executive heads of their organizations to put in place a system whereby the persons designated to manage contracts after award are notified in writing about their accountability and responsibilities when managing a contract, and possess the required qualifications to manage the contract.

The case of a professional contract-management unit

49. In the United Nations Secretariat, procurement guidance is provided by the Headquarters Procurement Division (UNPD), and field offices conduct procurement under their delegation of procurement authority. Contract management is generally decentralized, with requisitioning offices determining the responsible party/unit for managing the contract post- award. The Department of Field Support (DFS), being one of the largest department of the Secretariat in terms of procurement, has selectively embedded contract-management units in its missions to monitor and manage contracts, especially ones of high value or complexity. The unit that typically oversees the post-award management of contracts is known as the Contract Compliance and Performance Management Unit/Section (CCPM). These units manage mostly fuel and rations

contracts, while aviation-related contracts are generally managed by the mission's aviation sections together with their headquarters requisitioning counterparts without the involvement of CCPM. Additionally, the United Nations Global Service Centre (UNGSC) of DFS hosts a small team in Brindisi who provides support services, policy advice and guidance to the CCPMs in the field.

50. In peacekeeping missions, CCPMs play an important supportive role and partly fill the gap in skills and expertise required by requisitioners that the aforementioned handover of authority process is addressing. The CCPMs by their terms of reference are delegated the functions of overview, monitoring and corporate management of contracts over $500,000 and/or high risk and/or complex service-based contracts.[16] The size of the CCPM unit/section depends on the size/value, risk and complexity of the contracts they support. However, as stated in many of the interviews, the allocated human resources at some of the CCPMs are seriously inadequate; for example, in UNSOA, which is a highly complex operating environment, just one person is responsible for seven contracts, three of which are worth at least $250 million.

51. It is well recognized in the procurement field (in the private and public sectors) that contract management units/sections staffed with professional contract-management experts add value. They are a neutral and objective party between procurement and requisitioner and provide a much-needed service especially in decentralized and high volume/value/complexity contracting environments. In the UN Secretariat, however, the CCPMs lack the right level of authority and impact as their involvement is not mandatory, but to a large degree dependant on requests by requisitioners.

52. **The professionalization of contract management, the creation of a contract manager position as a distinct human resources position, and the formation of contract management units where this is justified by the procurement volume or complexity of contracts are areas that require attention by management and contract-management practitioners alike.**

53. Designating dedicated professional contract managers or creating contract-management support units either in central locations or embedded in country offices requires the allocation of financial and human resources commensurate with the volume and complexity of the contracts. Forty-five per cent of survey respondents indicated they do not have adequate financial and human resources for such post-award contract-management activities.

54. The implementation of recommendation 4 should enhance the efficiency and effectiveness of the contract management function.

Recommendation 4

The executive heads of the United Nations system organizations should re-assess the financial and human-resource needs for post-award contract management in terms of current and projected contract volume, value, complexity and type and decide on the best support structures required (e.g. centralized or decentralized) to ensure best value for money and the achievement of the organization's objectives.

[16] Standard Operating Procedure (SOP), Contracts Management in UNSOA & UNPOS, June 2011, paragraph 3.1.11.

III. ROLE OF CONTRACT COMMITTEES IN CONTRACT-MANAGEMENT ACTIVITIES

55. The primary duty of contracts committees is to ensure that proposed procurement process actions, usually above a certain monetary threshold, comply with the rules and procedures of the organization, are impartial and based on fairness, integrity and transparency. All organizations reviewed have established contract committees related to the selection and administration of procurement activities. The committees are located at headquarters (HCCs), regional offices (RCCs), and country or field offices (LCCs). Thresholds for contracts under review vary: for example, LCCs could have up to $150,000, RCCs between $150,000 and $2 million and HCCs above $2 million. The committees conduct reviews of submissions made by or through procurement offices and provide advice on whether the proposed procurement is in accordance with the relevant procurement policies of the organization.

56. The composition of the committees varies from organization to organization, but most commonly they comprise of up to five voting members including a chair and representatives of other offices (management, legal, finance/budget, etc.). The members serve in their personal capacity and in a number of organizations they are required to have commercial, financial or legal experience, or other relevant qualifications, including qualifications or training in procurement. However, contract committees' level of expertise and knowledge in contract management varies, and some 30 per cent of respondents in the CM-PAM survey regard it as insufficient.

57. The committees have limited roles or responsibilities related to issues arising during the post-award management of contracts. They are required to review requests for contract extensions and any increase in the contract price usually if it runs to more than 20 per cent over the original amount. However, as there is no unit clearly accountable for the whole contract-management process and as most organizations do not have information management systems that track contracts from beginning to end (see Chapter X), there are often no controls in place to ensure that requests for contract extensions are submitted to the committees on time or that contracts exceeding the thresholds are reviewed before commitments are made to contractors.

58. Contract committees could play a more active role in managing contracts. Their role needs to be strengthened to go beyond checking compliance with procedures and expanded as needed to involve high-level oversight and monitoring of post-award contract-management activities. This is particularly important for high-value, high-risk and complex contracts. Fifty per cent of the CM-PAM survey respondents acknowledge that for large or complex contracts, contract-management committees are seldom established for the duration of post-award contract management.

59. An example of an organization that has made efforts to expand the role of its contract committee is UNDP. The committee performs ex-ante review for any complex or high value procurement (over $1 million) and has the responsibility and authority, not only to see that the process is followed but also to:

(a) Ensure the right procurement strategy is adopted and reduce risks of failure of the procurement process;

(b) Ensure contract implementation in terms of available capacity and expertise in the subject matter;

(c) Oversee whether a proper contract-management mechanism is in place (i.e. which entity will be the focal point for the contractor);

(d) Ensure that proper performance evaluation criteria are defined before the contract is awarded.

More involvement, however, of the UNDP contracts committee, may be desirable during the post-award contract implementation phase.

60. **The executive heads of United Nations system organizations should therefore review the terms of reference of contract committees with a view to expanding their role, as appropriate, especially in high-value, high-risk and high-complexity contracts, to include a periodic senior-level oversight and monitoring of post-award contract-management activities. Alternatively, an organization may want to consider establishing separate post-award contract-management committees to accommodate any special needs of high-complexity or high-value contracts.**

IV. HUMAN RESOURCES AND CAPACITY BUILDING

61. Internal procurement reforms in recent years have helped many organizations of the United Nations system to improve their contracting methodologies, especially in large and complex procurements. However, this review found that despite the improved practices, organizations are at risk of not having enough people with the right skills to manage these procurements, especially after contracts have been awarded. Consequently, the challenge that many organizations are facing is whether they have today, or will have in the future, the capacity and skill to manage the procurement of an increasing programme workload.

62. A critical element in addressing this challenge is the systematic training of procurement officers, contract managers and requisitioners. In recognizing the need for training, a number of organizations have acquired or developed standard procurement-related training courses. However, many interviewees felt these courses were not of sufficient depth to cover all phases of the procurement process as they focused mainly on the front end of the process: pre-solicitation, selection and contract award. Training on how to manage contracts post-award has been seriously neglected. This is further confirmed by the CM-PAM survey: 62 per cent of respondents mentioned the lack of robust induction and training programmes for addressing post-award contract management.

63. Annex IV provides a synopsis of the procurement-training programmes of various organizations. Most of these programmes do not include training and capacity-building of staff dealing with post-award contract management and this could result in shortcomings in addressing critical contractual issues.

64. There is a need for assessing the contract-management capacity both at headquarters and in the field, as well as a need for identifying funds for staff training. A good practice example in the private sector is to take a targeted approach to training and commit resources to a few but well-selected curricula.

65. The review also found that individuals with low-level grades are managing multimillion dollar contracts and the status of this functional discipline is low in the hierarchy of organizations. For example, contracts of almost $1 billion a year in one organization are managed by a P-4, or a contract for supplying food of about $300 million a year in another is managed remotely by a low-grade person from headquarters.

66. Basic procurement and contract-management courses should be readily available throughout the organization and be made mandatory for persons managing contracts of certain complexity or value. **Guidance on contract management (manuals, policies, procedures, etc.) should set forth experience, training required, and workload limitations for persons undertaking this work. For each level of experience, a limit should be set to the size of an individual contract as well as on the total value of all contracts that may be monitored at any one time by a person or a team.** In unusual or compelling circumstances (e.g. emergencies), the procurement authority may choose to waive such requirements and instead provide alternative measures to ensure prudent contract management and delivery of the service or product.

67. CM-PAM survey results show that quality-control standards are neither disseminated nor used to evaluate the performance of staff who manage contracts and to address capacity development needs (58 per cent). And performance evaluations of such staff do not include any assessment of their performance as contract managers (45 per cent) and only 28 per cent of survey participants responded that self-evaluations of the person/team managing a contract are part of the overall performance monitoring of a contract.

68. The implementation of the following recommendations is expected to enhance the effectiveness (Recommendation 5) and transparency and accountability of contract management activities. (Recommendation 6)

Recommendation 5

The executive heads of the United Nations system organizations should develop a specific contract-management training programme in their organizations that would include courses offered as a requirement for all persons managing contracts of a certain size, value and complexity.

Recommendation 6

The executive heads of the United Nations system organizations should ensure that supervisors of persons managing contracts incorporate contract-management criteria in these persons' annual performance evaluations.

V. RISK MANAGEMENT

69. The purpose of risk management in procurement is to examine and control risks, and to ensure the successful delivery of the programme, project or activity. Risk management begins early in the procurement process. It is best practice for high-level procurement and complex projects of lesser value to require the

preparation of individual risk-management plans and ongoing risk assessments throughout the contract's life cycle.

70. Ideally, procurement-related risk plans are part of the larger risk-management process of an organization, which evolves throughout the contracting chain, and ensures that organizational risks are understood and mitigated to the greatest extent possible.

71. In the context of a contract's life cycle, risks during the post-award contract-management phase include: risks inherited from any of the previous phases; risks stemming from lack of clarity of the roles and responsibilities of all players; insufficient human and financial resources allocated to managing the contract; and absence of or untimely information on contract performance. If risks associated with each contract are not assessed at the beginning and during the contract execution phase as part of the due diligence process, there will be no mitigation plan to manage them, which may result in failure when addressing unexpected situations.

A. Absence of risk management at contract-management level

72. In the United Nations Secretariat, a general risk assessment is reportedly conducted by requisitioners and the procurement office during completion of the source selection plan. The risk assessment associated with the post-award phase of the contract is considered the responsibility of the requisitioning office, which acts as contract manager. In June 2014, the United Nations Global Service Centre (UNGSC) Field Contracts Unit issued a Contracts Management Toolkit on Project and Contract Risk Management. The toolkit is intended for risk-assessment exercises and identifying risk-mitigation strategies in response to the potential risks encountered in mission environments. During the JIU field visit to Nairobi, the Contract Management Unit of that field mission reported it was beginning to conduct risk assessments related specifically to post-award contract management.

73. In the case of procurement of goods and services that address strategic needs (corporate-wide procurement), the UNICEF Supply Division requires a comprehensive procurement strategy that includes risk analysis of areas such as: financial risks associated with market development; external risks associated with markets; risks to the demand figures, the quality and regulatory requirements; reputational risks; risks of raw material price fluctuation; and risks to programme deliverables. The UNICEF Contracts Review Committee requires an assessment of contractor financial risks, production capacity, quality of products/services, timely delivery and contractual terms. The Committee also considers the risks being assumed and the business case for such, including the situation of procurement in collaboration with another United Nations organization. In addition, the UNICEF Supply Division performs a yearly enterprise risk-management exercise covering issues related to contractor performance in terms of timely delivery and quality of supplies.

74. UNDP applies a project-management methodology that requires a risk assessment to be conducted at the project formulation stage, so that if procurement is risk prone, a risk-management strategy and approach would be defined and reviewed by the project team before the project is approved. All complex contracts (above $50,000) require a risk-assessment and management plan to be presented to the Contract Committee for review. The plan addresses the political, environmental, social, technical, legal and economic environment of each contract. Any risks

associated with the project or the procurement need to be linked with the enterprise risk assessment.

75. At WFP, procurement operates within the overall risk-management strategy of the organization. WFP reported that as client units assume responsibility for contract management, it is also their responsibility to build into each contract sufficient risk-mitigation strategies for all applicable risk elements (e.g. operational, financial and reputational).

76. UNOPS reported that oversight committees are in place, which review new projects from the perspective of risks. The related operational guidance was under revision at the time of the review.

77. The procurement procedures of UNFPA include risk management, particularly in product quality of goods critical to the UNFPA mandate. Agreements are secured with contractors that meet internationally recognized quality standards. Technical experts, commissioned by UNFPA, review pre-qualification product dossiers and then also perform site visits and test a sample of products. Owing to the importance of the core/critical goods to the work and reputation of UNFPA, certain products are also tested before shipment. Additionally, UNFPA performs a supply-positioning exercise, based on supply risk and the relative expenditure. This exercise allows it to see what kind of relationship it has with its contractors. Similar procedures are employed by UNICEF and WHO.

78. While the risk management initiatives and practices by a number of organizations are commendable, they largely address risks of the early stages of the procurement life-cycle. There were no reported examples of systematic risk assessments at the start of the post-award phase of a contract, which would, in addition to identifying risks, help to determine what kind of contract-management activities are necessary, how contract management should be staffed (e.g. one person or a team) and what kind of specialized skills are needed to manage contracts. It was observed that in the cases where contract related risk assessments and risk registers existed, there was no follow-up on the overall procurement risk plan to address mitigation during contract-management activities.

79. These findings are further confirmed by the CM-PAM survey results whereby 58 per cent of respondents said that risk-management plans did not exist for contract management activities and neither was there a risk-mitigation plan; and 60 per cent said that contract risks in general were not assessed frequently enough over the life cycle of the contract. Furthermore, 56 per cent of respondents said that clear designation of responsibility for any necessary risk-mitigation treatment was lacking and 68 per cent said that any risks related to contract management were not quantified or expressed in financial terms.

80. The implementation of recommendation 7 is expected to enhance the efficiency and effectiveness of the contract management process.

Recommendation 7

The executive heads of the United Nations system organizations should ensure that for contracts of a certain value and complexity risk-management plans are in place covering post-award contract activities. These plans should include risk-mitigation measures and also clear designation of responsibility to those persons executing such measures.

VI. PERFORMANCE MONITORING, EVALUATION AND REPORTING

A. Monitoring contract performance needs improvement

81. It is critical to monitor a contract's performance frequently and at regular intervals after award to ensure that the contractor is providing the goods and services on schedule and within budget, and that quality standards are being met, especially for the highest-risk and most complex contracts.

82. Assessing post-award performance entails several activities to ensure that the delivery of services meets the terms of the contract. These include identifying performance criteria, such as key performance indicators (KPIs), at the time of contract formulation, and providing adequate monitoring resources and a capable workforce for overseeing contractor activities.

83. In the United Nations Secretariat, the requisitioner (or contract management unit, when applicable) is reportedly responsible for developing performance-measurement criteria, which are included in the solicitation documents and subsequently in the contract. The requisitioner then monitors and evaluates the contractor's performance against these criteria. The UNGSC Field Contracts Unit Contracts Management Toolkit includes a writing guide to assist field missions in preparing statements of work. Guidelines on identifying key performance indicators (KPIs) for contracts remain to be issued.

84. UNICEF monitors the timeliness of all contracts via KPIs and includes contracts in its Supplier Performance Monitoring process,[17] where all contracts per supplier are reviewed for quality, time and quantity. Similarly, UNFPA monitors the quality and quantity of the goods/services supplied, the timing of delivery, the accuracy of documentation and the speed of response/communication. UNDP and UNOPS apply a risk approach to monitoring contracts, focusing more on those of high value or complexity.

85. IAEA is taking a similar risk-based approach. At the time of the review, it was setting up a formal programme by which the top 20 critical contracts in terms of value and risk would be monitored beyond delivery and payment. UNHCR, owing to its large volume of contracts and capacity constraints, monitors only the largest contracts and on a quarterly basis. ILO applies the three monitoring indicators of quality, quantity and timeliness. In WFP, food and transport contracts, which represent 80 per cent of its procurement spending, are monitored by requisitioners (e.g. procurement or shipping officers).

86. Although good efforts are being made by several organizations to strengthen contract monitoring by issuing improved guidance and monitoring procedures, this review and the evidence provided in numerous internal and external audit reports, point to continuous deficiencies in this area. Reportedly, one reason for the insufficient monitoring coverage of contracts is that monitoring has not always been

[17] The process is governed by Division Procedure 069 (March 2013) and applicable to the procurement of goods undertaken by Supply Division. The procedure establishes generic criteria for evaluating and monitoring supplier performance against their contractual obligations and acts as an assessment tool for the selection of invitees to bid. A Supplier Performance Card is used to monitor supplier performance against prime criteria: quantity, quality and time.

given high priority in the procurement life cycle. Until recently, the primary objective of contracting officers and senior managers was to get contracts awarded, and in a timely fashion, to support the delivery of the programme and the recipient of the service.

87. A major weakness observed in most organizations is the lack of well-thought-out KPIs in the development stages of a contract that would allow for effective monitoring of performance during the contract execution. Unless specific monitoring parameters are set up front, there could be no effective way of measuring progress, and no feasible way of keeping staff and contractors accountable for their actions. In the CM-PAM survey, 40 per cent of respondents said that KPIs, if they do exist, are not systematically monitored.

88. As mentioned in Chapter IV, lack of training in post-award management activities is a related area of concern. To ensure appropriate contract monitoring, persons in post-award roles must be adequately trained on how to conduct the monitoring. Furthermore, as it was previously observed, another concern is that monitoring activities are carried out on an ad hoc basis by staff who view this task as a part-time activity.

89. Without continuous expert monitoring until the completion of a contract, there are risks of poor contractor performance, services not being delivered as expected, or payment to contractors exceeding the value of the services performed.

90. It should also be noted that the JIU report[18] on long-term agreements (LTAs) identified the lack of sufficient monitoring in the use of LTAs as a disadvantage and a risk. The report states that while the practice of using existing LTAs of other United Nations organizations was seen as a viable option, there is a risk that the costs and benefits of "piggybacking" were not sufficiently validated, taking into account the lack of robust monitoring procedures.

91. **It is recommended that the executive heads of United Nations system organizations should take the following steps to improve contract-monitoring activities:**

(a) **Ensure that the designation of personnel to manage contracts, and their training in monitoring techniques, takes place before the management of post-award activities begins;**

(b) **Develop practices to help ensure accountability for personnel carrying out monitoring responsibilities;**

(c) **Ensure more management visibility over contract monitoring;**

(d) **Update policies and guidance on proper use of other United Nations organizations contracts (piggybacking on LTAs, etc.) to include procedures on monitoring of services procured by others.**

[18] Review of long-term agreements in procurement in the United Nations system (JIU/REP/2013/1).

B. Contractor performance evaluations not done systematically

92. Contractor performance evaluations are an important element in the procurement process. The review found that evaluation practices in the organizations interviewed vary widely.

93. In the United Nations Secretariat, the requisitioning office is responsible for evaluating a contractor's performance. The Secretariat requires performance reports on each contract. For contracts above $200,000 and/or contracts for a term of two years or longer, annual performance reports are required. In addition, essential contracts for commodities such as food or fuel stipulate that records must be kept of monthly performance meetings inclusive of action points, and that relevant inputs should be incorporated into the contractor's performance reports. In case of unsatisfactory performance, a performance evaluation is submitted to the Vendor Registration and Management Team, which prepares a case for the Vendor Review Committee, which then recommends appropriate treatment for the contractor (i.e. suspension, issuance of a warning letter, etc.). The Secretariat's Procurement Division has also put in place a panel to review allegations of ethical violations/prescribed practices by United Nations suppliers or their representatives. The Vendor Review Committee can obtain inputs from specialists in the Office of Legal Affairs, the Ethics Office and the Office of Internal Oversight Services, as needed.

94. Reportedly, while contract managers are required to submit evaluations to the Procurement Division for global systems contracts, requisitioning departments do not always comply. In addition, the Procurement Division cannot track performance evaluations for contracts initiated in the missions or individual purchase orders signed in the missions These evaluations are important because details of non-compliance or poor performance are required so that contractors can be suspended or removed from the register of approved contractors (see section C below). The UNGSC Field Contracts Unit is currently developing a Contractor Performance Reporting Tool aimed at consolidating performance ratings for global systems contracts and contractors across multiple missions.

95. UNICEF Procurement Department procedures address monitoring of contractor performance and place heavy emphasis on the monitoring of high value and complexity contracts. Contractor evaluations are made on any individual contracts over $100,000 and on all LTAs. Quarterly performance reviews are conducted based on three parameters measuring quality, quantity and timing of deliveries. In 2013, UNICEF introduced vendor scorecards applicable to the procurement of goods by the Supply Division.[19] The procedure establishes generic criteria for evaluating and monitoring contractors' performance against their contractual obligations and as an assessment tool for the selection of invitees to bid. Supplier Performance Cards are used to monitor performance against the same criteria: quantity, quality and time. The results were to be captured in an annual report, which would provide an overall picture of their contractors' performance.

96. For evaluating contractor performance, UNFPA has a "dashboard" that shows which country has completed contractor assessments. Performance evaluations are

[19] A vendor scorecard is a tool to measure and track vendor performance using metrics such as cost factors, quality and on-time delivery to compare and rank vendor performance against specific goals.

mandatory for all contractors supplying core reproductive health commodities and for other purchases over $50,000. The purpose of the evaluations is twofold: to provide information for future contracts and, when necessary, to put in place a contractor development programme. As of 2013, UNFPA started the good practice of inviting selectively their main contractors to the headquarters office to discuss their performance evaluations, UNFPA expectations, and what could be done to close any identified gaps. Similarly, IAEA holds quarterly meetings with its critical vendors.

97. At WHO, contractor evaluations are partially performed in some offices, but the process in general has not yet been standardized. While the WHO Enterprise Resource Planning (ERP) has a centralized contractor database, the output from contractor evaluations is not fed back into it. WFP subjects all its contracts to Supplier Performance Evaluations performed by the requisitioners (client units). The evaluations are maintained in contract files and reviewed at the time of contract extensions, amendments or further awards. FAO conducts contractor satisfaction surveys only for negative referrals.

98. This review found that, with some exceptions as noted above, evaluation of contractors in most organizations is not done systematically and in many cases mechanisms are not clearly spelled out to provide guidance to persons responsible for such evaluations. There are also no central systems in which records of performance evaluations are held in any of the organizations reviewed. The process is still mainly paper based, and even when the form itself is electronic, it exists in isolation, residing only in each contract's data file. Forty-three per cent of respondents to the CM-PAM survey perceive the recording of evaluation reports to be inadequate. Although contractor performance evaluation templates exist in most organizations, the review found that their use is mostly superficial and reduced to a box-ticking exercise rather than for providing substantial comments.

99. **As recommended in JIU/NOTE/2008/4, the United Nations system organizations should maintain central databases within their organizations to support contractor performance recording and future retrieval.**

100. For reports of contractor performance to be prepared and documented effectively, there is need to establish baselines to ensure compliance by staff who prepare these reports, and also to train staff to properly report and use this information. Baselines should address timeliness and frequency of evaluation reports after completion of contracts, levels of quality of the services provided, and compliance with contract schedules. **Equally important, there should be a clear designation of who is to prepare these reports and the required input by all players in this process (e.g. contracting officers, requisitioners and end users).**

101. The implementation of recommendation 8 should enhance transparency and accountability in the management of contracts.

Recommendation 8

The executive heads of the United Nations system organizations should ensure that a system exists in their organizations for documenting and reporting on a contractor's performance in meeting contract requirements, and assign responsibility and management accountability for completeness of the contractor's performance reporting.

C. Vendor-sanctions frameworks

102. In recent years, efforts have been under way among United Nations system organizations to have similar vendor review frameworks, which would allow them to record and share contractor performance. However, this is still work in progress and it is based on voluntary participation of each agency. A Model Policy Framework (MPF)[20] has been developed by the High-level Committee on Management – Procurement Network (HLCM-PN) to address vendor sanction procedures within the organizations' governance frameworks and mandates. The MPF and agency-specific systems is supported by the United Nations Global Marketplace (UNGM),[21] which provides the platform to share information and base common actions against persons/entities that have engaged in behaviour/practices unacceptable within the United Nations system (corrupt, fraudulent, coercive, collusive, unethical and obstructive practices). In effect, a central vendor ineligibility list has been created, which incorporates individual agency decisions concerning the ineligibility or sanctions of vendors with entries generated through a common rules-based process.

103. The MPF consists of three parts: i) guiding principles, ii) the suggested MPF procedures, and iii) additional specific matters to be addressed by each agency. The principles will provide guidance in the development, application and interpretation of the procedures. The procedures address optional models of implementation. The third part addresses legal issues, such as privileges and immunities, which by their nature apply differently to each organization.

104. According to the MPF procedures, the sanctioned vendors are included in a central ineligibility list, an electronic roster of entries from each agency. In instances of collaborative procurement, the affected agencies decide among themselves, which is to be the lead sanctioning agency. The head of each agency appoints the members and the secretary of a Sanctions Board which deals with matters concerning sanctions and ensures impartiality and due process in their administrative review.

105. Possible sanctions may include censure (letter of reprimand), ineligibility or debarment (temporary or permanent), or other penalties such as suspension, or subjecting future contracts to special conditions.

106. The United Nations Secretariat, UNDP, FAO and UNFPA have implemented the agreed-upon sections of the MPF. Additionally, UNFPA, UNDP and UNOPS are exploring the possibility of creating an inter-agency vendor-sanctioning committee. Also UNDP and UNOPS publish the names of the sanctioned vendors on their websites. In UNICEF, the sanctions committee is an ad hoc board whose members are appointed whenever there is a need for a meeting.

107. Interviewees indicated that the issue that prevents some organizations from participating fully in the MPF is that agencies operate within different legal

[20] The MPF was developed by a working group (chaired by UNDP) under the HLCM-PN. It was approved by the Committee in March 2011.

[21] UNGM is the common procurement portal of the United Nations system of organizations. It acts as a single window through which potential suppliers may register with the United Nations organizations using the UNGM as their vendor database <www.ungm.org>.

frameworks and administrative systems that pre-date the MPF, and this makes it difficult for them to comply.

108. The above MPF-related efforts are commendable and they represent acknowledgement by most United Nations system organizations that a centralized system for contractor evaluations for the entire United Nations system would benefit all parties. Such a system would help organizations make more informed decisions in the selection of contractors and minimize the potential of having a bad or fraudulent performer in one organization be awarded a new contract in another. **The executive heads of the United Nations system organizations should provide the backing and support to the ongoing efforts for the application of a common Model Policy Framework that would allow a harmonized approach to vendor sanctioning.**

D. Reporting to senior management

109. The JIU Note[22] on procurement reforms in the United Nations system recommended that executive heads should ensure regular internal and external feedback and reporting on procurement activities. A number of procurement offices interviewed for the present report said that they do not report specific contract-management-related information to their senior management, because they are not requested to do so. A few said they provide such reports only occasionally, and only when asked to do so. UNICEF and UNOPS have established "dashboards", which their senior management use instead of reports. Others have said that any necessary contract-specific information would be included in project-related reports or annual procurement reports (UNDP, WIPO and UPU). Forty-five per cent of CM-PAM survey respondents believe that the reports on the performance of individual contracts were not systematically submitted up the management chain, and 60 per cent were of the opinion that senior management did not actively monitor performance of contracts.

110. The United Nations Secretariat provides the following monthly reports to its senior management: contracts expiring in less than eight months; contracts reaching or surpassing a not to exceed (NTE) of 75 per cent; list of contractors with cumulative awards of more than US$ 1 million; list of top 30 (NTE) active contracts; and a list of active contracts with NTE over US$ 25,000 in currency other than United States dollars. However, the field missions do not have a standard approach to post-award contract-management reporting to senior management.

111. UNESCO has standard reports available to senior management, such as monthly statistics on delay of implementation of high-value contracts or on waivers to competitive bidding. ILO reported that for major procurement it provides oral or written reports to the relevant governance committee.

112. It is good practice for senior management to be kept systematically informed about the total value of all contracts, status of contracts, contracts closed out, cost overruns, significant disputes, etc. **It is recommended that executive heads require periodic reporting by procurement officials to provide aggregate information on the status of ongoing contracts, highlight specific or recurring problems of high impact to the organization, and indicate measures taken to address them. Such information could also be made available to an organization's legislative bodies via, for example, the organization's website.**

[22] Procurement reforms in the United Nations System (JIU/NOTE/2011/1).

VII. CONTRACT CHANGE MANAGEMENT

113. Change management is the process of both avoiding unwanted changes and incorporating necessary changes into the contract.[23] Amendments made during the execution of a contract are an unavoidable and sometimes frequent occurrence when requirements and circumstances change. The changes could involve the duration of the contract, specifications, the goods/services to be delivered, or the price or administrative changes.[24] How the modifications occur and how they are administered is of the same importance as the original contract.

114. The policies in most organizations appear to be clear on the issue of changes to contracts. Standard contract clauses include a clause on modifications specifying that change should be managed by a designated contracting authority who can negotiate and sign off on such changes. Additionally, procurement manuals state that amendments or modifications of a contract, that was previously reviewed by a contract committee, have in certain circumstances to be re-reviewed by the committee. In the case of the United Nations Secretariat, these circumstances are:

(a) An increase of the previously approved not-to-exceed contract value by more than 20 per cent or $500,000, whichever amount is lower;

(b) An increase in the aggregate contract value above the committee's threshold;

(c) An extension of the previously approved duration of the contract by more than eight months;

(d) If in the judgement of the contracting authority the amendment would significantly affect the procurement process that led to the original contract award, the criteria on which the original award was made, or the original contractual terms.[25]

115. There are usually three parties involved in the management of changes: requisitioner/end user, procurement officer and contract committee. Most often, the requisitioner or end user has direct contact with the contractor and there are ongoing formal and informal communications that sometimes result in unintentional commitments. For example, verbal commitments can subsequently translate into contract modifications without certification of availability of funds. United Nations staff members may find themselves in such binding situations either because they are unaware of the consequences or because of lack of negotiating skills.

116. As discussed in Chapter III, contract committees play an important role in the change-management process. However, it was observed in this review that in a number of organizations that role has been diminished to procedural issues. For example, in some agencies the role and know-how of committee members do not allow for analysis and justification of the need or reason for the contract modifications. For contracts of high value or complexity, some governmental organizations practice having change control boards separate from contract committees. This is common practice also in construction and other highly complex service contracts. Chapter III addressed the necessity of extending functionalities of

[23] *UN Procurement Practitioner's Handbook*, November 2006, chap. 3: Procurement Process, pp. 3-98.
[24] *UN Procurement Practitioner's Handbook*, November 2006, chap. 3: Procurement Process, pp. 3-87.
[25] United Nations *Procurement Manual*, chap. 12.3, para. 1.

contract committees so that they can deal with contract modifications beyond a simple review of compliance with procedures. Moreover, establishment of separate change control boards for contracts of high value or complexity is a good practice followed by many organizations in the private and public sectors.

117. In the conduct of this review, no organization was able to readily provide information on the causes and consequences of contract modifications on current or past contracts. Increases in contract costs (i.e. cost overruns), causes of delays and time extensions, changes in scope, acceptance of inferior products or services, etc. are deficiencies that appear in many contracts more often than not, and result in changes to the contract. This is mirrored by evidence from the CM-PAM response: 45 per cent of respondents find the analysis of contract modifications and associated costs to be insufficiently developed and reported upon. The present review was unable to quantify the effect of such deficiencies due to the lack of documentation at the inspected organizations. These deficiencies can potentially impede the organizations in accomplishing their programs and projects with efficiency and effectiveness.

118. The implementation of recommendation 9 is expected to enhance the efficiency of contract management.

Recommendation 9

The executive heads of the United Nations system organizations should conduct a study in their organizations to analyse the causes of modifications in contracts above certain thresholds and identify systemic deficiencies contributing to cost increases and delays. Remedial action should follow to address such deficiencies.

VIII. CONTRACT REMEDIES

119. The purpose of remedies is to protect an organization when the contract is not performed in accordance with its terms and conditions or when the contract is breached. Examples of remedies are: invoking liquidated damages, payment withholding, claiming performance bonds, and acting on warranties/guarantees.

120. Liquidated damages refer to a sum explicitly agreed in advance between the organization and the contractor that will be payable as damages for any breach of contract.[26] In the majority of cases, this applies to delay in performance. Provisions for liquidated damages are usually included in the general conditions of the contracts. When delays caused by the contractor result in extra costs, or loss of revenue and other benefits, they are covered by liquidated damages paid by the contractor. Liquidated damages are calculated as a percentage of the contract value up to a certain amount.

121. Performance securities such as performance bonds or other forms of contract remedies are usually required to be submitted by the contractor at the time of award. The proceeds of the security become payable to the organization in the event of the contractor's failure to perform.

[26] UNOPS *Procurement Manual*, Revision 5 (2014).

A. Contract remedies not always enforced

122. The review found that although they are part of standard contract clauses, remedies are often not enforced in practice when it would have been necessary to do so, especially in cases involving liquidated damages and performance bonds. Almost all individuals interviewed have not had a real life experience of applying contract clauses related to remedies. When they are faced with such situations, the invocations are viewed as a hurdle, which arguably require more time investment than the benefit they would provide. There are reported cases where, liquidated damages were even removed from the general contracts clauses as they were deemed unenforceable, but no other steps were taken to protect the organization's interests.

123. Moreover, in other cases the value of performance bonds or liquidated damages held as an insurance instrument is minimal compared to contract value, thus it is deemed not effective. When the instrument theoretically could be effective, some interviewees asserted that it is not the purpose of the United Nations system to drive their contractors to bankruptcy by invoking remedies, but rather to build their contractors' capacity. It can be argued that the later may be applicable to specific cases of capacity building involving local contractors or national entities. However, as the United Nations system organizations often deal with large international companies, which do not always perform in accordance with their contracts, remedies should be rigorously applied and enforced.

124. Because of the lack of staff, discipline, or know-how to collect the necessary proof to invoke liquidated damages or put a claim on a performance bond, the United Nations system organizations appear to be tolerant to their contractors at the expense of potential financial losses to the organizations and its programmes.

125. The implementation of the following recommendation is expected to enhance control and compliance in the contract management process.

Recommendation 10

The executive heads of the United Nations system organizations should ensure that, when applicable, appropriate levels of liquidated damages and other remedies are included in the standard clauses of contracts and are judiciously enforced to protect the interests and rights of their organizations.

IX. ASSURANCE SYSTEMS AND CONTROL

126. The United Nations system organizations have internal oversight mechanisms in place, usually comprising of audit, investigation and evaluation functions, as well as external oversight, which provide assurance and check on efficiency and effectiveness of contract management operations.

127. In some organizations, headquarters-based internal audit offices conduct audits specifically addressing procurement issues. In most cases, however procurement issues are reviewed transversally as part of the programme, project, or country office audits which are selected based on the annual audit risk plan of the internal audit office. While they are not specifically dedicated to procurement, these audits

may include site visits to projects executed by contractors, and conduct such checks as verifications of invoices or other supporting documentation.

128. Some interviewees indicated that the periodic audits of country offices and the occasional procurement-focused audits are helpful in identifying problem areas, while others noted that these audits are not always focused on post-award contract-management activities and are not frequent enough. However, the CM-PAM survey indicates that 59 per cent of respondents perceive that audits of contract management activities are systematically conducted, and 58 per cent that the system of auditing contractors and related contract activities is robust.

129. These internal and external audit reports across the United Nations system have found that contract-management practices are deficient on many fronts and in many respects the reports reinforce the findings of this review. The similarity of contract-management deficiencies across the United Nations system organizations, and the persistent reporting by audit bodies on such deficiencies, combined with the magnitude and significant volume of procurement by many organizations, demonstrates that a concerted effort by all stakeholders is needed to address this systemic challenge. The deficiencies identified will continue to occur unless policies and procedures are further defined and specific action taken to strengthen contract-management practices.

130. **It is recommended that the heads of organizations provide support to their procurement offices and contracting personnel in drawing up concerted action plans to address the recurring deficiencies identified in various internal and external audit reports and ensure that this plan is carried out.**

131. The review also found that few organizations have made use of other assurance and control mechanisms, such as periodic internal reviews and performance measures, that could help monitor procurement activity across the organization. In addition, while some headquarters procurement offices (e.g. UNDP, United Nations Secretariat) have established performance measures to help evaluate the effectiveness of their procurement function as a whole, these efforts have not been effective in as much as covering post-award issues. Half of CM-PAM survey respondents indicated that reviews of contract-management activities by knowledgeable teams of officials are not systematically conducted in the field or at headquarters.

132. In addition to the work of internal audit offices, it is best practice for organizations to establish annual reviews by expert contract-management panels, which could include inter-agency members of the procurement community, to selectively target for review high-value and high-complexity contracts to assess common challenges and lessons learned. A concept similar to the UNDP procurement capacity assessment and roving teams, or the example of assistance provided by WFP and UNOPS to their field offices, could be introduced by organizations to allow spot checks of compliance with policies and procedures and to provide the necessary support required.

133. **It is recommended that organizations establish a quality-assurance programme for the post-award contract-management function, in line with good practices, to periodically assess the effectiveness of the function.**

X. INFORMATION SYSTEMS

A. Inadequate information technology system support for contract-management activities

134. In recent years, a number of United Nations organizations have made concerted efforts to automate the information relating to the procurement process. Managing this information, especially at organizations with a large number of contracts or a large volume of projects, is a formidable challenge. As a result of the decentralized management of contracts in most organizations, and the involvement of various offices (procurement offices, requisitioners, contract managers etc.), information and data on contracts is collected, kept and managed at different offices in the organization's headquarters, regional and country offices. Procurement related information is fragmented across the organizations' ERP systems, financial management systems, follow-up systems for procurement related audit and evaluation, project management systems, and files and notes at headquarters and field offices.

135. While ERP systems provide general functionality for procurement related processes, in most cases, they do not address post- award contract management functions such as performance monitoring, alert functions, information on expenditure in real time, expenditure per procurement officer and per contractor, and similar data. In some cases, when ERP functionality may have such capabilities embedded in the system, it is not activated, mainly because the modules may not be fully developed, they are perceived as lacking user friendliness, or are associated with high licence costs (UNDP and UNFPA's Atlas, UNICEF's Vision, IAEA's AIPS, etc.).

136. In most organizations, monitoring of expiry dates and similar milestones in the duration of a contract is done manually by the procurement officers or requisitioners. According to the CM-PAM survey, 59 per cent of respondents find the level of automation for collecting and monitoring contract-management information insufficient. There are no central electronic repositories for all contracts; and contracts become visible in the ERPs only when purchase orders are raised against them. For example, as mentioned before, it is not possible to know at any one time the aggregate number of cost overruns or the total liabilities an organization is potentially exposed to, nor how much in total contract value a single contractor has been awarded by the organization.

137. Certain organizations have proceeded with ad hoc development and implementation of dedicated software systems to address needed functionality for contract management. This ad-hoc approach is not based on a cost/benefit analysis, as the CM-PAM survey indicates 74 per cent of CM-PAM survey respondents stated that the degree of automation of post-award management activities is not based on an analysis of actual needs. An additional 54 per cent stated that contract management functionality is not integrated with other systems of subsystems (e.g. ERP, project management, dashboards, finance).

138. The United Nations Secretariat's Procurement Division uses the Contract Administration and Tracking System (CATS) to record contract metadata.[27] CATS also reconciles expenditure generated by different systems in order to track NTE balances. The system produces two monitoring reports: one reports on contracts due to expire within eight months and another when the NTE amount has reached 75 per cent. These reports are run on a monthly basis and are distributed to both procurement staff and requisitioning offices. CATS functionality will be migrated to the new ERP system (Umoja) that the United Nations is implementing.

139. The Secretariat's Department of Field Support does not have any additional automation tools from a contract-management post-award perspective. Monitoring systems are largely manual and established at mission level for local contracts (for example, several missions have established in-house access databases for this purpose).

140. There appears to be uncertainty over what ERP/Umoja will provide in terms of post-award contract-management capability. Most interviewees at the management level repeatedly said that, to their knowledge, Umoja will provide contract-management functionalities that were not in place at the time of the review. However, the review found that beyond standard business intelligence reports, which are available in the Secretariat's ERP functionality, contract management is not included in the current plan of ERP/Umoja implementation. Inclusion of such a capability in the future was uncertain at the time of this review.

141. UNICEF offices use their ERP (Vision) for preparing, issuing, maintaining and monitoring their contracts. The Complaint Database is the only separate system related to contract management. This is based in Lotus Notes but it is structured so as to be able to link to information extracted from Vision. UNICEF has developed two Vision reports for monitoring contracts for goods and services. For goods, the report includes information on contract milestones. For services, the report includes validity and expiration dates as well as contract closure. There is an automation coordination group within the Supply Division which assesses the requests and needs, prioritizes enhancements and establishes a joint work plan to put them in place. Work is under way to explore additional contract management functionality in the system. Similarly, IAEA is developing a monitoring function in their ERP, which will warn about expiry dates and similar milestones in the duration of a contract.

142. UNDP is in the process of deciding if it would choose the contract-management module in the ERP (Atlas), or another system. It already has a licence for this ERP module but the financing of the module implementation is pending. The module would allow contracts to be created in the system, which would ensure that standard clauses are included; purchase orders would be linked to contracts; there would be integration with ACP-online;[28] and automatic alerts would be sent to nominated individuals. At the time of the review, there was no central electronic repository for all contracts and procurement was decentralized. There is, however, a procurement dashboard, which is fed by the data from Atlas and ACP online systems.

[27] For example: Supplier information; Requisitioning Office(s); Buyer Team; Contract Committee meeting numbers; NTE; Currency; Requisitioner Contacts; Contract Amendments; and Tender reference, etc.

[28] A system used by the UNDP Advisory Committee on Procurement (ACP).

143. UNFPA is using In-Tend, a stand-alone specialized contract management system, in their headquarters office for contract management purposes. However, the system is not integrated with their ERP (Atlas). Information is manually retrieved from Atlas and In-Tend once or twice a year and placed in an Online Tracking System (OTS) to provide quantitative information for performance monitoring.

144. UNHCR has reported on-going efforts to fully utilize the functionalities in their current contracts management module ("Purchasing Contracts") within its ERP (Management Systems Renewal Project – MSRP). For example, threshold limits for contract agreements are tracked outside the system in an Excel spreadsheet. Thus, when the system is upgraded, UNHCR plans to have all contracts registered in the system, tracking exception reports generated from the system, and purchase orders and contracts linked in the system.

145. UNOPS has launched a new ERP project in 2014. However contract management is not included in the ERP scope and a separate software solution has been selected which will be integrated with the ERP in 2015. There is no central electronic repository for all procurement projects. However, there is a dashboard that serves as a tracking and monitoring system for all LTAs. This dashboard which is updated and disseminated to all stakeholders on a monthly basis, gives an overview of existing valid LTAs for UNOPS and sister agency piggybacking on the LTAs.

146. FAO does not have a contract management module, but within the ERP (Global Resource Management System — GRMS) there are functionalities that allow management of product/service receivables, end dates and payments. There are plans for the contract monitoring tools (reports) to be introduced at all field offices. FAO, as well as WFP, also use certain functionalities of In-Tend, (e-tendering sub-module) and are exploring interfaces to link In-Tend data to their ERP systems.

147. UNESCO contracts are issued in their ERP interfaced with a Contract Management System (DUO), which covers the procurement cycle and provides an alert functionality. UNIDO uses an eProcurement module in their ERP system, which is supported by a "knowledge management solution", a dedicated software package. ITU has not activated the procurement module in its ERP due to cost considerations.

148. A number of organizations (WFP, WHO, WIPO, ILO, ITU) are in the process of considering the stand-alone option of contract management specialized software such as In-Tend. The attraction of these stand-alone automation packages is their cost affordability (vis-à-vis the larger ERP systems), specialized contract-management functionalities, and the fact that they are internet-based and can be used anywhere in the world, whether the organization has an office with an ERP or not, which is particularly relevant in emergency situations. Reportedly, the downside of these packages is that they do not form an integral part of the organization's ERP system and may not be available in all languages for use in the field.

149. The complexity of having multiple contracts managed in decentralized environments is a challenge that requires all the support automation systems can provide. There is need to make use of automation techniques and the capabilities of existing automation systems, such as ERPs and other database tracking systems,

with the aim to ensure that these systems also support the post-award activities of contracts. **However, not all organizations require sophisticated ERP systems or dedicated software packages to manage contracts. Depending on the volume and complexity of contracts simple off-the-self automation tools may provide for effective and efficient management of contracts.** For example, some organizations are satisfied with the use of Excel for contract monitoring purposes (ITU, WMO, UPU) others such as WTO are developing Access-based contract databases.

150. The implementation of recommendation 11 is expected to enhance the efficiency of post-award contract-management activities.

Recommendation 11

The executive heads of the United Nations system organizations should augment the capabilities of their existing information technology systems such as Enterprise Resource Planning systems, or consider other specialized contract-management systems, to support the management of post-award contract activities based on a cost/benefit analysis and taking into account the level of need for such functionality.

XI. COOPERATION AND COLLABORATION ON CONTRACT MANAGEMENT IN THE UNITED NATIONS SYSTEM

151. The Procurement Network[29] (HLCM-PN) was established in 2007 as a network of the High-level Committee on Management (HLCM). It brings together the procurement offices of 36 organizations of the United Nations system, with each organization represented by the Director of its Procurement Division. The network has a mandate to promote the strategic importance of procurement and supply-chain management in programme and service delivery in a transparent and accountable manner. It has four working groups, which aim at professional development of procurement staff, strategic vendor management, harmonization of United Nations procurement businesses and practices, and ensuring that sustainable procurement interventions are embedded in the procurement activities of the United Nations system. The network also manages the UNGM, which is the common procurement portal of the United Nations system organizations.

152. The HLCM-PN working group on the professional development of procurement staff has been collaborating on knowledge-sharing and best practices, including exchanging job descriptions, disseminating information on training opportunities within and outside the United Nations system, and disseminating professional development knowledge. The working group also support efforts to strengthen professional training (see Annex IV). For example, over 32 United Nations organizations are involved in the Chartered Institute of Purchasing & Supply (CIPS) programme, administered by UNDP, with over 4,000 students trained in 2014.

[29] www.unsceb.org/content/pn.

153. HLCM-PN further aims to strengthen cooperation in the areas of strategic vendor management, including vendor eligibility, performance evaluation and sanctioning (see Chapter VI, section C) and increased access for contractors from developing countries and countries with economies in transition. The work is primarily centred on the UNGM, which provides functionality to share information on vendor performance, with challenges remaining in harmonizing performance evaluation criteria and improving overall compliance in submitting reports.

154. To create better harmonized procurement practices, the HLCM-PN commissioned a system-wide harmonization project in collaboration with the United Nations Development Group. The following objectives are envisaged to be accomplished in a staged process:

Phase 1: create a common framework for harmonization of procurement-related regulations, rules, policies, procedures and business practices;

Phase 2: document and include country-level outcomes and best practices in collaboration with the UNDG Task Team on Common Services;

Phase 3: develop a standardized toolkit for country-level procurement practitioners, taking into account the best practices, needs and insights from the country level.

155. In Phase 1 (completed in October 2012), guidelines were developed on modalities for United Nations common procurement at the country level and included a set of practical tools. A comparative analysis of the United Nations procurement manuals and policies resulted in a common table of contents; and a common glossary of procurement terms was also developed. Additionally, a white paper was prepared on exploring the development of common procurement review committees. Finally, an information form on long-term agreements was developed and endorsed by HLCM-PN to facilitate piggybacking and collaborative procurement. A traffic-light matrix monitors progress in implementation among various procurement offices. It should be noted that except for contract management being included in the common table of contents for procurement manuals, there was no focus on contract-management issues during this phase.

156. At the time of the review, the tasks in Phase 2 included: harmonizing the procurement interface; promoting headquarters-level collaboration and headquarters support for field-level collaboration; and building capacity and supporting country offices in their efforts to harmonize business practices. During this phase: the Guidelines on Harmonizing United Nations Procurement will be rolled out; a collaborative procurement log is to be developed; harmonized practices for sharing and using long-term agreements among United Nations agencies have been drafted; the Procurement Practitioner's Handbook will be revised; and the feasibility of harmonizing procurement documents and templates will be assessed. Again, there is no special focus on activities related to contract management during this phase of the work.

157. At the time of the review, Phase 3 was expected to start in mid-2015. The focus would be mainly on developing a first draft of a common United Nations procurement manual, including harmonized templates, and an online certification programme on harmonized procurement.

158. The efforts and excellent work of HLCM-PN on the above harmonization activities is commendable. In previous reports,[30] JIU has reviewed aspects of this collaborative work and strongly supported the ongoing efforts towards harmonizing activities. However, this review found a lack of attention to post-award contract-management activities during HLCM-PN deliberations. It appears that some network members view contract management as a secondary issue and it has therefore been relegated to lower levels in the agenda. Yet, as discussed in previous chapters, this is an area of high risk in the overall procurement life cycle. There are benefits to be gained from exchanging information on post-award contract-management activities, including lessons learned, and in harmonizing contract-management policies, procedures, and guidelines — especially for joint procurement activities.

159. The implementation of recommendation 12 should enhance the coherence and harmonization among United Nations system organizations in the field of post-award contract management.

Recommendation 12

The Secretary-General of the United Nations, in his capacity as Chair of the Chief Executives Board for Coordination, should ensure that post-award contract-management issues become an agenda item of the High-level Committee on Management-Procurement Network and are addressed in the ongoing initiatives to professionalize and harmonize the procurement process within the United Nations system.

[30] Procurement Reforms in the United Nations System (JIU/NOTE/2011/1); Review of long-term Agreements in Procurement in the United Nations System (JIU/REP/2013/1).

ANNEX I (Part I)

CONTRACT MANAGEMENT – PROCESS ASSESSMENT MODEL (CM-PAM)

The Joint Inspection Unit (JIU) designed the Contract Management – Process Assessment Model (CM-PAM) to help assess contract-management activities in the United Nations system organizations. "Contract management", as used in the model, addresses the activities that take place after award of contracts for goods and services, and includes "contract administration" and "close-out" activities.

The CM-PAM has two main objectives:

- For the purpose of this report, the model was used to provide a structured assessment of post-award activities in the specific context of United Nations system organizations. This was done through a survey of contract-management practitioners (e.g. contracting officers, requisitioners and project managers), as well as of other stakeholders such as senior management, finance and legal officers.
- Following publication of the report, each organization surveyed will receive the CM-PAM survey results specific to the organization. These results could be used by each organization to further identify its level of development in these processes and address perceived strengths and weaknesses in managing goods and services contracts.

The development of the model benefited from work done by a number of entities, including the Contracting Capability Maturity Model of the International Association for Contract & Commercial Management (IACCM), the Contract Management Maturity Model by Garrett and Rendon,[1] the OECD MAPS methodology, and the United States Government Accountability Office Framework for Assessing the Acquisition Function at Federal Agencies. While these entities provide assessment tools to measure the procurement process as a whole, they address post-award activities only to a limited extent. The CM-PAM was therefore developed to provide focus and a more robust approach to post-award activities, as well as to an assessment tool specific to United Nations system organizations.

A basic premise of the CM-PAM, its survey and the evaluation of results is that not all organizations need to have in place world-class contract management processes and methodologies to manage contracts efficiently and effectively. For example, an organization with a small number of contracts (of relative complexity) may not need a fully-fledged automation system to manage such contracts. On the other hand, processes and capacities to manage complex and/or high-value or high-volume contracts are different from those of small or routine contracts and require advanced methods and techniques. While the CM-PAM does not differentiate among contracts, it attempts to address elements of CM activities that apply to all groups and at different levels.

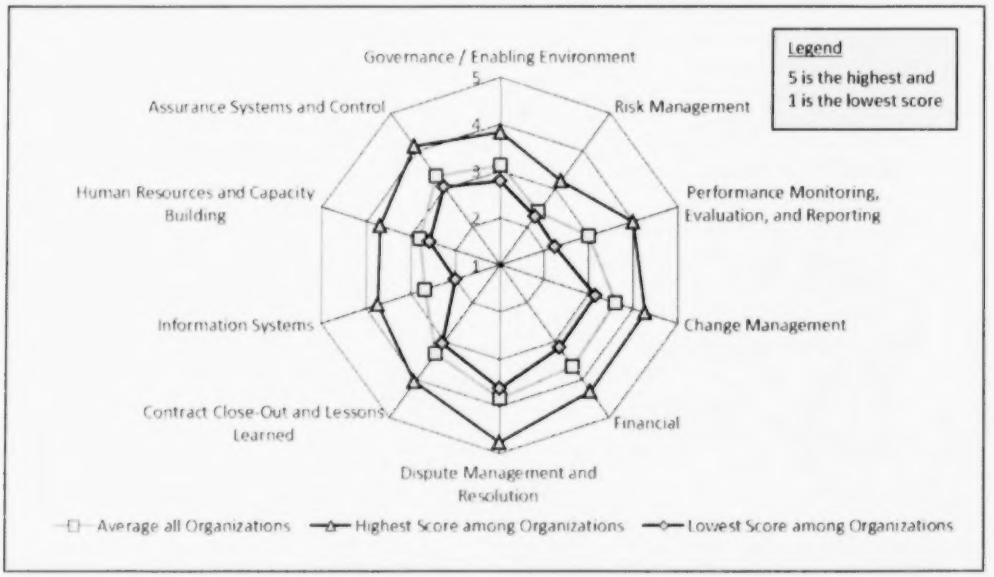
[1] Gregory A. Garrett, Rene G. Rendon (2005): *Contract Management: Organizational Assessment Tools*, National Contract Management Association.

The CM-PAM comprises the following 10 categories:

1. Governance/enabling environment
2. Risk management
3. Performance monitoring, evaluation and reporting
4. Change management
5. Financial
6. Dispute management and resolution
7. Contract close-out and lessons learned
8. Information systems
9. Human resources and capacity-building
10. Assurance systems and control.

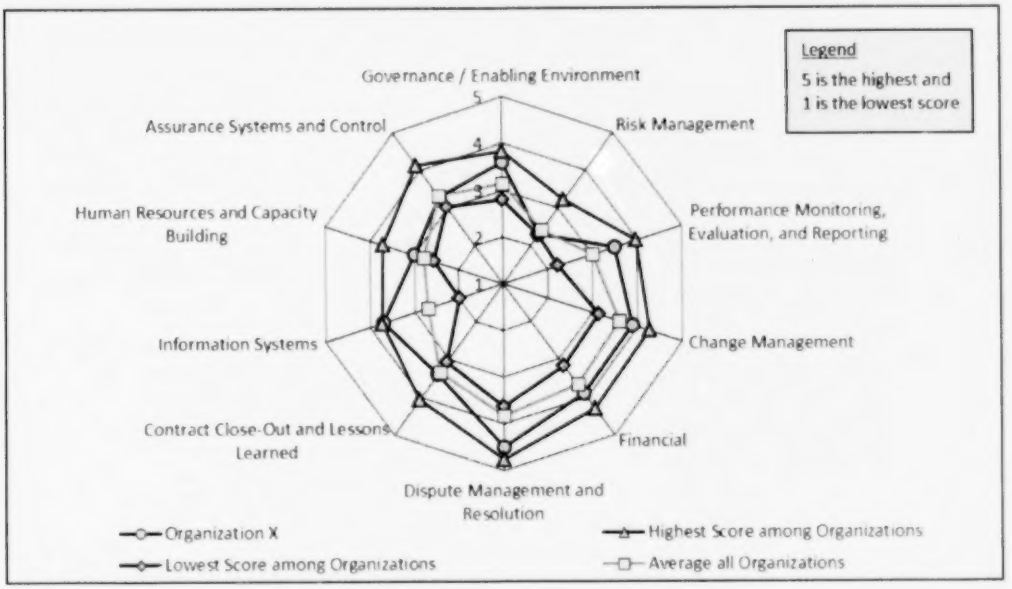
Each category of the CM-PAM contains a number of elements/criteria that were formulated as process statements to solicit responses from survey participants. Cross-sectional in nature, the process statements address key contract-management processes and related activities. A five-point scale was used to reflect the survey answers and associated scores (1-Never, 2-Seldom, 3-Sometimes, 4-Most of the Time, 5-Always), which corresponds to a rating that measures the level of development of the categories outlined above. On that basis, the CM-PAM provides for a comparative ranking of an organization against an aggregate ranking (highest score among organizations, average and lowest score among organizations) of other United Nations organizations - see figures A.1 and A.2 below.

Figure A.1: Cumulative CM-PAM results for 14 organizations of the United Nations system



The CM-PAM provides opportunities to identify and leverage best practices and to advance knowledge-sharing among United Nations system organizations. It does not provide solutions or solve problems identified by the model. Instead, it should be viewed as a starting point for an organization in formulating a CM capacity development plan in areas that may need further strengthening. For example, the application of the model may identify CM areas that require additional training or resources to achieve desired competences or level of maturity. Ultimately, it is up to each Unite Nations system organization to take the necessary action to improve critical processes identified by the CM-PAM. For this purpose, JIU will provide individual reports to participating organizations with the results of the survey conducted as part of this review, and leave it up to each organization to proceed with further analysis if deemed necessary. Figure A.2 provides a sample chart for a typical individual organization report.

Figure A.2: CM-PAM results for a typical organization



To represent scores for the different organizations, the CM-PAM scoring methodology uses two principal measures: an average score for each category (by individual organizations),[2] and a weighted average category score (across all organizations). In order to produce an average in which each organization has the same relative impact, results were adjusted for differences in response rates across organizations, categories and processes, as well as for variation in sample sizes ("standardization"). Results statistically detected as outliers were removed. For data management and statistical analysis, Excel and SAS (version 9.4) were used.

Organizations that decide to use the model in the future may choose to expand the scoring system and assign different weights or prioritize as appropriate reflecting

[2] For illustrative purposes, the highest and the lowest score of all organizations are included in figure A.1.

the specific and/or unique interests of their individual organization. The CM-PAM assesses the levels of development in post-award processes, but does not use statistics to explain the level of development. Rather, qualitative data is analysed to identify consistencies, strengths and areas for improvement.

The CM-PAM survey was sent to the top 10 organizations in the United Nations system in terms of their overall procurement volumes and to additional four specialized agencies in order to reflect wider views. These were the United Nations Secretariat, UNICEF, UNDP, WFP, UNHCR, WHO, UNOPS, PAHO, UNFPA, FAO, WIPO, ILO, UNESCO, and UNIDO. For the purpose of the survey, each organization was asked to identify the highest in value contracts that comprised the top 20 per cent of their 2013 procurement spent and the staff involved with the management and administration of those contracts.

The survey, which was anonymous, was sent by the JIU to 983 staff; and 262 responses were received (27 per cent).[3] Survey participants had the following characteristics (multiple responses were possible): Procurement/Contracting Officer (45 per cent); Contract Manager (25 per cent); Requisitioner (11 per cent); Project Manager (10 per cent); Contract Committee Member (15 per cent); Legal Officer (4 per cent); Finance and/or Accounting Officer (9 per cent); Internal Auditor or Evaluation Officer (2 per cent); end user (6 per cent); and others (20 per cent) (e.g. assistant, logistician, country-office representative).

The majority of respondents (51 per cent) had over 10 years' experience in procurement and/or contract-management functions, 35 per cent had between 5 and 10 years, 12 per cent between 2 and 4, and 3 per cent under 1 year). Most are Professional staff (69 per cent), with General Service staff accounting for 20 per cent, and 11 per cent Director level or equivalent.

55 per cent of respondents worked at the headquarters of their organization and their experience was primarily with service-type contracts. Forty-three per cent had a Chartered Institute of Purchasing and Supply (CIPS) certification or equivalent and, in that group, 62 per cent had CIPS level 3 or less, 25 per cent had levels 4-6 and 14 per cent had other types of certification.

[3] Responses from 40 participants left substantial questions blank and were thus disregarded for the purpose of the analysis.

(ENGLISH ONLY)

ANNEX I (Part II)

CM-PAM SURVEY

Governance / enabling environment	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. Organization provides clear vision and strategy for the post-award management of contracts.						
2. Post-award contract management activities have adequate financial and human resources.						
3. Post-award related policies, procedures and rules are systematically reviewed and improved.						
4. Contract management policies, procedures, and rules are mandatory but differentiated based on contract size, complexity and value.						
5. Personnel managing contracts are well versed in applicable contract management policies, procedures and rules.						
6. There is compliance with applicable policies, procedures and rules by all personnel involved in the post-award contract phase.						
7. Contract management roles, responsibilities and accountabilities, for all involved personnel and all decision making processes are clearly defined before or at the beginning of the post-award phase.						
8. Delegation of authority to manage contracts during the post-award phase is given to persons in writing.						
9. Contract management delegation of authority is given only to persons who have the skills to exercise such authority (considering size, complexity, and value of the contract).						
10. Depending on the value, size or complexity of contracts, the organization uses an integrated team approach to managing contracts, consisting of multifunctional teams (procurement, contract management, legal, finance, etc.).						
11. Persons managing contracts are held accountable for adhering to contract management policies, procedures and rules.						
12. Code of ethics guidelines related to procurement are systematically distributed to all staff managing contracts.						
13. Persons managing contracts submit declaration of independence statement at the beginning of the post-award phase (e.g. conflict of interest etc.).						
14. There is adequate support to contract managers and/or requisitioners by other offices in the organization (procurement, legal, finance, etc.).						

15. Contract management policies, regulations and rules apply equally to subcontractors of the primary contractor.						
16. In large or complex contracts, Contract Management Committees are established for the duration of post-award contract management.						
17. Organization participates actively in harmonization/collaboration activities related to contract management policies, rules and procedures among UN entities.						
18. When a contract, such as an LTA, is used by a cluster of organizations formalized roles and responsibilities exist for the parties managing the various aspects of the contract (amendments, performance, etc.).						
19. Upon awarding a contract, the organization conducts a post-award conference with the contractor to discuss communication levels and processes (e.g. formal and informal meetings, contract schedules and change control, performance monitoring procedures, etc.)						
20. Relationships between organization and contractor are managed in a professional manner based on cooperation and mutual understanding.						

Risk management	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. There is a risk management plan in place for the post award activities that includes a risk mitigation plan.						
2. Contract risk is assessed frequently over the life-cycle of the contract.						
3. There is clear designation of responsibility for implementing/actioning any necessary risk mitigation treatment.						
4. Contract risk assessments and/or plans specifically address contractor fraud risks and mitigation.						
5. Contractors are involved in identifying contract risks.						
6. Contract management related risks are quantified and expressed in financial terms.						

Performance monitoring, evaluation and reporting	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. An evaluation of the overall performance of a contract is conducted, and is fed back into the procurement system and management process.						
2. Evaluation includes self-evaluation of the organizational entity (person or team) managing the contract.						

3. The level of contract performance monitoring and control is decided based on the size, complexity, value of a contract and applicable risk assessments.						
4. Clear, measurable and relevant performance indicators (KPIs) are developed for complex/large value contracts (as part of the contract document or as part of a post-award contract management plan).						
5. KPIs are systematically monitored.						
6. Reports on the performance of individual contracts (spot checks, progress reports, variance analysis, etc.) are systematically submitted up the management chain.						
7. Corrective action is immediately taken when variance between actual and expected performance is detected.						
8. Contract performance and/or exception reports that include explanation on cost overruns are included in the reporting chain.						
9. Contract performance reports (periodic and final) are submitted in a timely manner.						
10. A contractor's underperformance is systematically dealt with (e.g. withholding payment, involvement of senior management of both parties, termination, etc.).						
11. A contractor performance evaluation is mandatory for all contracts valued above a pre-determined amount (threshold).						
12. Contractor performance evaluation reports are prepared based on a standard performance rating system.						
13. Contractor evaluation reports are recorded in a central database.						
14. The organization measures and reports on end-user satisfaction levels.						
15. Senior management actively monitors performance of contracts.						
16. The organization provides relevant evaluation information to the contractor and seeks feedback.						
Change management	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. Change control clauses and administrative procedures are in the contract and define how changes should be managed throughout the contract life-cycle.						
2. Designation of persons with authority for contract change negotiations and modifications (changes on schedule, price, performance, quality etc.) is clearly established for all contracts.						
3. Persons with such authority are identified by the organization before or immediately after contract award.						

4. Such authority is given to persons who have the capacity and skill to exercise it.						
5. Contract changes that cause an increase in funds are not executed without a certification of availability of funds.						
6. Standard templates exist for processing change requests and contract modifications.						
7. Contract time extensions are negotiated / agreed before the expiration date of the contract.						
8. Justification of time or cost increases of contracts is documented.						
9. The role of Contract Review Committees in contract modifications is clearly defined.						
10. Contract Review Committee members have expertise and knowledge in contract management.						
11. An analysis of contract modifications and associate costs is prepared on an aggregate basis and submitted periodically to senior management.						
12. Change Control Boards are established for large/complex contracts to control contract delays and cost overruns.						

Financial	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. All necessary authorizations and approvals are obtained prior to making payments.						
2. Payments are linked to performance of contracts.						
3. Penalties (withholding of payments etc.) are invoked for underperformance.						
4. Timely acknowledgment of receipt of goods and services is provided allowing financial units to process payments on time and/or take advantage of discounts.						
5. Appropriate segregation of duties is maintained throughout the payment process.						
6. Receipt of goods and services are certified and recorded at all instances by designated/authorized officials prior to payment.						
7. Accounting/financial personnel query discrepancies systematically between documents of services/goods received and vendors' invoice(s).						
8. When contract price adjustments are allowed, pricing arrangements are regularly reviewed and updated.						
9. The organization measures its own cost of managing contracts.						
10. The organization maintains a record and reports to management cases of delays in payments and causes of delay.						

Dispute management and resolution	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. Contracts include clear dispute resolution procedures that provide for an efficient and fair process to resolve disputes during the performance of a contract.						
2. Efforts are made to resolve disputes through negotiation or mediation.						
3. Organization is capable and prepared to resort to arbitration when other dispute resolution procedures are exhausted.						
4. Organization provides adequate legal support for dispute resolution cases.						
5. Outstanding claims are settled expeditiously.						
6. Processes to terminate contracts due to cause or default are in place and in use.						
7. Clear policies and procedures are in place to debar/ delist contractors (including guidance on causes for debarment).						
8. Debarred/ delisted contractors are inserted in a central database.						
9. If a database of debarred/ delisted contractors exists, it is constantly updated.						

Contract close-out and lessons learned	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. There is a well-documented process for contract completion and close-out, including checklists, to verify that all contractual obligations have been fulfilled.						
2. Contract close-out process includes verification of final delivery, preparation of final contract performance reports, financial settlements, and record of any residual obligations.						
3. Contract close-out activities are performed with input by the end users.						
4. Contract close-out is performed with input by other key areas (legal, finance etc.).						
5. Financial securities are liquidated (release of bid bonds, performance bonds, advance payment bonds, etc.) immediately after they become moot.						
6. Warranty periods are judiciously observed.						

7. There are processes in place for storage, handling and disposal of contract files.						
8. Upon completion of contracts, security passes and/or access to UN premises by contractor staff are promptly terminated.						
9. The organization documents lessons learned and best practices in order to continuously improve its management of procurement and contract management processes.						
10. Lessons learned and best practices are inserted in a central database for use in subsequent contracts.						
11. The organization exchanges lessons learned and best practices with other United Nations system organizations.						
Information systems	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. The organization uses automation systems and procedures for collecting and monitoring contract management statistics.						
2. Degree of automation of post award management activities is based on a cost benefit analysis.						
3. Contract management functionalities are automated for complex, high risk and/or high value contracts/projects (e.g. automated approvals, workflows, performance monitoring, etc.).						
4. Contract management functionality is integrated with other systems or sub-systems (ERP, project management, dashboards, finance, etc.).						
5. Online 'Dashboards' or other online means are provided to senior managers and/or other stakeholders to observe the status of contract management activities.						
6. The integrity of automation data is safeguarded.						
Human capital and capacity-building	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. Persons managing contracts have the level of knowledge, skill, and experience commensurate with their contracting responsibility (based on contract type, value, size, complexity).						
2. Opportunities exist for professionalization of persons managing contracts and for obtaining recognized qualifications.						
3. Personnel managing contracts are encouraged to obtain relevant professional certifications (e.g. CIPS, NIGP, EIPM or other).						
4. A robust induction and training programme exists for addressing post-award contract management and it is provided on an ongoing basis to new and existing personnel managing contracts.						

5. The organization makes concerted efforts to develop and retain contract management expertise.						
6. Based on contract complexity and need for specialized expertise, access to such expertise is pre-arranged at the outset of contracts.						
7. Quality control standards are disseminated and used to evaluate performance of staff managing contracts and to address capacity development needs.						
8. Annual performance evaluations of staff involved in managing contracts include assessment of their performance as contract managers.						
9. Contractors/vendors are trained / briefed on the organization's rules, regulations, procedures and the expectations under the terms of the contract.						
Assurance systems and control	Never	Seldom	Sometimes	Most of the t time	Always	N/A
1. There is a robust regime in auditing contractors and related contract activities.						
2. Risk based audits and performance evaluations of contract management activities are systematically conducted by the organization's oversight bodies (internal and/or external).						
3. Contract change control and management processes are an integral part of the standard audit procedures.						
4. Auditors are sufficiently knowledgeable about contract management requirements and systems.						
5. There is timely action and compliance on contract management findings and recommendations made by audit and evaluation bodies.						
6. Reviews (by panels of internal and/or external knowledgeable persons) of contract management activities are systematically conducted in the field and at headquarters.						
7. At the start of managing a contract all stakeholders are briefed of existing mechanisms for reporting fraudulent, corrupt, unethical, collusive, coercive or obstructive behaviour.						
8. The contract documents require contractors to report instances of fraud or presumptive fraud observed during the execution of contracts.						
9. Provisions are fully enforced when addressing contract corruption, fraud, conflict of interest, and unethical behaviour.						
10. Proactive fraud risk management systems are in place to address contract fraud.						
11. Personnel involved in managing contracts have the skills to detect fraud.						
12. A vendor sanctions mechanism is activated when required.						

What are the major strengths of your organization's post-award contract management process?

Open-Ended Responses

What are the major weaknesses of your organization's post-award contract management process?

Open-Ended Responses

(ENGLISH ONLY)

ANNEX I (Part III)

SELECTED RESPONSES FROM THE CM-PAM SURVEY

The responses below originate from the open-ended questions of the CM-PAM survey ("What are the major weaknesses of your organization's post-award contract management process?"). When necessary, responses were edited for spelling and language errors and to retain anonymity.

General statements
- […] Contract management is a huge afterthought while procurement itself gets a lot of attention. Systems are lacking in so many areas - evaluation, remedies, automation, etc. The low level of sophistication on contract management is very worrisome to me - Not paying enough attention to the subject in question, contracts are not managed after being signed […] - Contract management portion of the procurement cycle at the contract level is sometimes underplayed. More relevance is giving to the initial states of the procurement cycle (tendering, sourcing, awarding) - Post-award contract management is not given due importance in my organization […] - There is no systematic approach towards contract management. Most of the time contract management phase is not taken into consideration at the time of tender package preparation - Due to the workload, normally post-award contract management is not a priority to all staff
Contract-management-related policies and procedures
Lack of policies and procedures - There is not yet a written policy on contract management in this organization. No guidance is available to field staff on contract management […] - The first major weakness will be that there are not enough well defined rules and procedures for the post award contract management […] - My organization does not have an official policy on contract management. At present Procurement and the management are working on it […] - Major weaknesses are many among them: There is no standard procedure for contracts management. Each mission performs based on their ability; in some areas they have no knowledge of what is required […] - Contract Management Policy is currently under review and should be re-issued within 2-3 months by the HQ of my organization. This should give clear guidelines on the roles and responsibilities of Contract Management personnel worldwide, not only during the post-award phase but also pre-award, as these functions are increasingly considered as cross-cutting. Currently there are some grey areas and among the many missions; differing views and methodology are practiced […]

- The organization does not recognize post award contract management as a must. The procurement model of this organization is solely based on rules compliance: a successful contract is therefore a contract awarded by the relevant contracts committee. Post award contract management is left at the discretion of each business unit without corporate support #119)

Lack of compliance with / knowledge of rules and regulations

- Some of the processes and procedures followed by the procurement division are not well known. In answering some of these questions I have put N/A when, in fact, I just do not know the answer. It may be that our procurement division has some of the processes etc. in place but that this is not widely known

- Only a few months ago written contract management guidelines have been developed and published, therefore there was no consistency on way of managing contracts [...]

Contract-management structures, roles and responsibilities

Ambiguous / unclear roles and responsibilities and accountability

- There is no use of a personal responsibility policy as stated in the administrative manual, this should be improved

- Decentralized procurement of services to the requisitioners, who are not procurement experts and have conflict of interest [...]

- The majority of the responsibility is shifted to the Project manager, even for the issues beyond his control

- The program staff managing the contract is mostly unaware of the procurement rules and regulations. Hence, they are dependent on the person dealing with procurement. In our case the Administrative and Finance Officer is being the responsible and accountable person for procurement of goods and services

- The deciding senior managers do not understand the importance of proper contracts management

- There are virtually no pre-defined roles, responsibilities, qualifications of contract management officer [...]

- Lack of clarity in some instances on who should do the contract management [...]

- The Procurement Bureau is rarely informed in a timely manner when performance issues arise (Procurement is often notified when it is too late to resolve the problem [...]

- Staff working in this area is also responsible for multiple other areas; allowing limited time to focus on post-award contract management

- Absence of clear functions and accountability of contract managers; absence of directives to senior management on the function of contract management; different structures of contract management units in different missions with different reporting lines for contract managers; Different tasking of contract managers in different missions; Unclear distinction between the operational contract management function with the function of contract managers; Lack of centralized direction on the different accountabilities of stakeholders in the contract management function; Inadequate representation of contract management function at HQs level [...]

- Senior Management should emphasized the role and responsibilities of the contract managers and raise awareness that Managers are accountable for poor monitoring of the contracts - We are not strong in contract management for services. I think it is not a lack of expertise, but rather a lack of a good contract management system and human resources to devote to it [...]. The lines of responsibility are blurred in this case - There needs to be a team consisting of the contract manager/end user and the contracting section doing the contract management together. This cannot be left only to the contract manager or the end user [...] - Some Requisitioners have very poor or non-existent knowledge for the procurement rules and regulations and little diligence is used when managing contracts. There is little level of coordination between units, requisitioner, procurement, finance with management - My organization does not have a stand-alone contracts management mechanism. In addition, due to decentralization of procurement authorities to personnel in substantive offices, procurement and contract management functions are in many instances performed by staff who do not have the required understanding, knowledge and skills
Formal contract-management designation
- Taking in consideration that during the assessment I have noticed few things that are not applicable in our office like written delegation to staff [...] - There is no delegation [...] - Lack of the appropriate level of delegation with the expected level of accountability to enable proper monitoring of contracts
Professional contract-management units
- There needs to be a recognition of contract management as a higher profile of procurement activity compared to transactional procurement. Job level wise, contract managers are at the same levels as buyers working on transactional procurement, which doesn't match the different level of risk and responsibilities the two profiles have to carry; further it prevent from building a strategic career path from managing transactional procurement to contracts - Our Mission did not have a Contract Management Unit or Focal Point at all and it was identified as a weak point of the Mission. This is why the Mission just started to develop Contract Management System and it is only two months ago that the Mission designated the Focal Point for the Contract Management - Underrating the importance of Contracts Management functions and the erroneous believe that the requisitioners can manage contracts irrespective of the nature and value of the contracts - This has not been given enough attention. The people managing this part of contract are not adequately skilled for contracts. they are usually well oriented professionals who manages the contracts as a small segment of executing their duties

Human resources and capacity-building

Career advancement / career paths / staff retention

- Staff turnover: procurement staff are in demand, easily get other jobs. No recognition of the work carried out by procurement staff: procurement staff are prone to leave procurement to find more gratifying jobs in other departments. Lack of carrier path for procurement staff working for the UN
- Give more opportunities to staff managing contracts with recognized qualifications
- Lack of expertise, skill and capacity of personnel charged with contract management Inflexible staff rules which make it difficult to fire incompetent staff members [...] Lack of training within the Organization. Lack of promotion by merit of personnel which has a demoralizing impact on staff managing contracts
- Insufficient provider knowledge on the efficient management of contracts. Low capacity of the Office to maintain in the long term qualified personnel in efficient management of contracts

Lack of experience / knowledge

- Not many staff have been exposed to managing of contracts especially for construction works
- CIPS training has theoretical aspects but no experience sharing or best practices are available [...]
- Persons managing contracts do not have proficiency level of knowledge, skill, and experience commensurate with their contracting responsibility (based on contract type, value, size, complexity) [...]
- The lack of knowledge and awareness of the importance of proper contract management for the successful implementation of programs and projects
- Lack of professionalism by individuals, lack of knowledge by individuals in contract management and technical areas no time to manage the job [...]
- Very often personnel responsible for contract management are not qualified/suitable for the task
- The weakness arises in areas procuring items outside the mainstream supply/goods, where there is limited availability of procurement and contracting expertise and this is spread thinly to support those undertaking procurement, who are technical experts in areas other than supply/procurement/contracting
- In most locations, the requisitioner is left to manage the award post contract award. These people are typically not skilled contract managers while being the experts in the requirements [...]

Limited human and financial resources

- There is no capacity within the organization to dedicate skilled staff. Supply Officer function covers zillion topics coverage of which is unrealistic and not achievable, poor and non-adequate staffing represent major risk to the Organization
- Scarcity of personnel result in a small pool of qualified personnel
- Lack of professional staff at the field office to manage and perform post-award contract management and also to enhance local staff capacity and knowledge [...]

- Lack of resources and specialized expertise in contract management and related topics (i.e. project management skills/operational)

- Allocated resources are often insufficient [...]. Staff responsible for contract management does not always have the required experience and qualifications [...]

- Limited resources focused on post-award contract management [...]

- The major weaknesses of our organization's post-award contract management process are: human capital and capacity-building [...]

Training/capacity-building

Lack of training

- Right people are not on right place and also lack of training and development opportunities

- Inadequate training of staff on related processes

- No time to "manage" contracts due to lack of resources, lack of training on how to manage contracts

- There is no systematic education of staff in post-award contract management

- There should be a general training regarding the Organizations' contract and risk management. Also at the beginning of the appointment, the field officer should be informed about the focal point in HQ in order to be able to get guidance on any issue related to contractual matters

- Training of contract committee members and field staff managing contracts

- No training for staff handling complex contracts; No training for contractor after award to enhance their contractual understanding and obligations; No training on risk management; Lack of training in arbitration mechanisms

- There is no proper plan to train staff involved in contract management process

- Contract owners should be additionally trained and also up-to-date trainings should be organized so they better acquire culture of risk and contract management processes - in case of lack of control in approving the deliveries or requesting final payment even if not really satisfactory (not speaking of fraud)

- Training of contracts staff Performance evaluation tools need to be made more simpler, accurate and relevant to indicators they are measuring

- Training required: An introduction of training programme for addressing post-award contract management issues and it is to be provided on an ongoing basis to new and existing personnel managing contracts. Training on quality management systems and standards can be introduced either via online or in person to address capacity development requirements within the organization. Efforts should be made for enhancing/ updating knowledge of persons managing contracts have the level of knowledge, skill, and experience commensurate with their contracting responsibility [...]

Certifications / CIPS - Lack of mandatory certification for contracts management - While procurement officers are better trained todays than in the past (CIPS online certifications etc.), contract management as activity that bridges the gap between programme staff and operations staff is not yet considered holistically as a key issue and it is still dealt at piece meal. Training is not provided [...] *Performance evaluation* - The major weaknesses are (a) lack of self-assessment when conducting performance evaluation [...] - There is a need for standardization, including the performance evaluation procedures - There are no consequences to poor performance for staff especially at senior level
Risk management
- There is no differentiation of the contract values in terms of the application of the rules and knowledge of the staff in managing large projects - It appeared from my limited experience that the following weaknesses have been hindering tender processes and causing repetitive bad decisions: 1. No serious risk management plans [...] - Lack of proactive risk assessment before the award and post award management - General weakness in risk mitigation procedure that provides safeguards for successful implementation/ execution for the contract's objectives/ or usually a premature module for risk management is followed [...] - Risk management is still not in the culture of staff - We still need to grow more on early detection and risk management (mitigation, eradication, etc.) - Timely availability of risk management plan for the post award activities is sometimes poses a challenge for the Organization [...]
Performance monitoring, evaluation and reporting
- The person who is managing the contract or administering the contract have less ideas regarding the subject or don't put sufficient time to monitor the contract performance - The major weaknesses of our organization's post-award contract management process are Performance Monitoring, Evaluation and Reporting - There is no integrated and robust system to monitor organization's post-award contract management process - Post-award contract management is ad-hoc and inconsistent currently; there is no template for a structured CM approach; skills of staff unknown; Performance meetings and KPI monitoring frequency are unknown; no collaboration with any key stakeholders for high risk/high dollar

contracts. There are many opportunities to improve contract management and oversight functions here *Key performance indicators (KPIs)* - Rarely KPI and SLA are developed and agreed with vendors. Internal client do not have knowledge of contract management. No performance report are drafted before extending a contract nor a balance of lessons learned is done - KPIs and LSAs are still not developed systematically - KPIs are rarely used and end-users are rarely asked to submit their feedback on received services - Absence of disseminated/streamlined processes for contract management beyond vendor performance evaluation against established KPIs [...] - General weakness in defining accurate KPIs and measuring effective performance to KPIs which results in defining exact level of effort/ output and hence proper linkage to payment *Contract performance monitoring* - Monitoring the competitive terms of Service Level Agreement Compliance; Timely contract close-out, extension or renewal are weaknesses - The monitoring of the contract performance is ad-hoc and will depend on the professionalism of each responsible contract officer [...] - There is no system to ensure that it is mandatory to submit a vendor or contractor's performance appraisal prior to the final payment [...] - Lack of monitoring of the contract expiration dates and NTE utilisation result in many ex-post facto situations [...]. Lack of continual market surveys/assessments result in the incumbent continually being seen as the only alternative, particularly when the contract renewal process is left until the last minute - There is a need for a more coordinated and structured approach to Contract Management activities at the mission to monitor contractor performance, measure compliance, develop technical requirements and evaluate bids. These issues are critical throughout the solicitation process and have been highlighted over many years [...]
Reporting on contractors' performance
- There is not a comprehensive and effective vendor performance system in place - No systematic contractor evaluation, statistics available - There exist no templates or systems to capture and analyse contractor performance and as a result different field offices could be hiring same vendors even if their performance was poor in another location - a good example of this is individual Contractors who move from one place to other [...] - No record in database in case of bad performance [...] - I do not see a real weaknesses as all steps are clear for each responsible staff, the only thing is maybe that we do not have a clear automatic database for the "bad" vendors and frauds - There is no system established to monitor on the performance and no Organization wide tool enabling to share information on vendors - Contract performance reports are not submitted on time or requests for extension. Procurement officers have to remind requisitioners to send the above documents [...]
Remedies
- Implementing remedial actions brought about by insufficient statement of requirement - Legal teams advise not to escalate vendor disputes as much as possible considering the high cost of arbitration coupled with lack of staff both in procurement and legal teams at HQ or at region [...] - A vendor sanctions board is not yet in place [...]

- Resolution of unsatisfactory contracts is not well managed
Reporting to senior management
- [no automated system] to report variances in aggregate manner to upper management - accountability needs to be clearly defined in measurable terms [...] - Not enough supervision by Procurement and executive of post-award performance [...] - Interest and involvement of Senior management could be sought for active contracts monitoring, especially mission critical contracts - The management system in place in my mission is not evident as there is hardly any management oversight for contract management - No management reviews are conducted on contractor performance unless there is a service / good delivery stoppage and then it is managed ad-hoc
Lessons learned
Lessons learned / best practices - Expertise exists but lessons learnt are not widely known or shared - Lessons learned are not shared within the organization [...] - [The major weaknesses of our organization's post-award contract management process are] Contract close out and lessons learned - Availability of Lessons Learned: The proper documentation of lessons learned and best practices in contract management processes be shared with persons responsible for contract management within the Organization. Lessons learned and best practices are inserted in a central database for re-use in relevant contracts [...]
Assurance systems and controls
- Auditors are without power to ensure real change and reform in the organization. Audits occur too late and are too vague [...] - There is a lack of accountability of contract managers on under performers. Lack of audit reporting of contracts' technical output. Lack of understanding of Terms of Reference
IT systems deficient in supporting post-award contract management
- [The major weaknesses of our organization's post-award contract management process are] Information Systems - We need more technology for the Contract Management and Vendor Performance Evaluations. We need an integrated system capable of having all this data, but we will have that soon hopefully (#1) - ERP needs to be linked with contract management system - ERP module for contract management not yet in place [...] - [The major weaknesses are] lack of integrated online systems for contract management - Although our ERP system has the necessary functionalities for contract management, these have not yet been implemented - The procurement process, contract issuance and contract management are not integrated parts of a well-coordinated process through the ERP system used. Multiple subsystems are used and they are not integrated - The organization does not have the automated tools to monitor contract management procedure, only a simple excel document and smartsheet including project management to keep track on

procurement process. No use automation systems and procedures for collecting and monitoring contract management statistics
- There is no automated system to follow up and report contract management, work has to be done manually. No automated system to remind of stages to compare plan versus actual [...]
- Lack of automated system in the field offices to monitor the contracts [...]
- There is a lack of automated systems to support compliance monitoring and risk management (identification and prevention) [...]
- There is a lack of Automation System: Establishment and use of automation systems and procedures for collecting and monitoring contract management statistics with sufficient relevant training for staff managing contracts. Strengthen contractor's performance and evaluation mechanism by providing standardized reports, charts etc. for persons managing large value contracts [...]
- There are no proper automated systems for contract management [...]

Centralized depositories / IT systems
- There is no central depository to indicate whether a consultant/contractor performed well or not well which could be shared throughout the Organization and the UN in general. No Data Base of contractors exist. Bad performance is on the contract file but once that file is archived and the persons involved are no longer around no one else really knows. Years could pass and another Project Officer, PWR can award another contract to the same person
- No centralized information system keeps records of underperforming agencies
- There is a lack of a centralized database for inputting performance related issues [...]
- Although electronic systems are used, they are not centralized into one database [...]

United Nations system procurement coordination and collaboration

- There is no post award contract management process - monitoring of contracts is not harmonized with the organization (regions and HQ)
- Experiences are not shared with other UN offices

Other / various

Performance issues
- Perhaps the only weakness, in some cases, is inability of promptly processing the Contractors' invoices hence losing the applicable prompt payment discounts
- The timing of the contract activity implementation is not well adhered to and this causes the last minute rush, thus compromising the quality for the service. Poor procurement planning for the contracts inputs – In cases where we have to [do] procurement [for] any kind of goods for the implementation of contract, procurement requests are requested at the last minutes. This causes much delay on the implementation of the contract and also builds more pressure to the procurement team to manage the self-created emergency

Flexibility / local needs / customization
- As the countries contexts are different, there are contextual factors that influence post-award contract management process. For example, in Eastern Europe and CIS the vendors require contracts according to the local legislation; they have to show those contracts in the banks so that they can receive their money from my organization. In a way, our contracts are not flexible to accommodate some local requirements
- The practices of contracts management are a one-size-fits all. There is no specific measure for complex requirement that may need particular attention Templates are standard measuring same things which at times are no applicable for certain requirements/contracts

ANNEX II

(ENGLISH ONLY)

EXTRACTS FROM PROCUREMENT MANUALS AND RELATED DOCUMENTS OF UNITED NATIONS SYSTEM ORGANIZATIONS[1] ADDRESSING CONTRACT MANAGEMENT

UN PROCUREMENT PRACTITIONER'S HANDBOOK 2006 INTER-AGENCY PROCUREMENT WORKING GROUP (now the CEB HLCM Procurement Network)	
DEFINITION(S) Contract Management / Contract Administration	The terms "**contract management**" and "**contract administration**" are often used synonymously. However, "contract management" is commonly understood as a broader and more strategic concept that covers the whole procurement cycle including planning, formation, execution, administration and close out of a contract and goes beyond the day to day "administrative" activities in the procurement cycle. Because it is difficult to draw the line between the two terms and because the majority of the UN organizations commonly use "contract management" when describing the contract administration phase, "contract management" will be used in this Unit.
CM-specific section(s)	**3.10 Contract Management** (page 3-90): Introduction (3-90); Process (3-91); Enabling contract management (3-91); Contract file and documentation (3-91); Contract analysis (3-92); Pre-performance conference (3-92); Effective communication (3-93) **Contract Performance Monitoring and Control** (p.393): Control points (3-94); Monitoring methods (3-94); Receipt, inspection and acceptance procedures (3-94); Acceptance and rejection standards (3-96); Types of reports (3-96); Variance analysis (3-97); Taking corrective action (3-98); Follow up (3-98) **Change Management** (3-98): Financial changes (3-99); Delays and variations (3-99); Remedies (3-100)\ **Dispute Management and Resolution** (3-101): Basic rules (3-101); Additional rules (3-102); Keys to effective dispute resolution (3-102); Mediation (3-103); Escalation process (3-103); Arbitration (3-103); **Financial Management / Payment** (3-104): Advance payment (3-104); Partial payment (3-104); Progress payment (3-104); Final payment (3-105); Holdback (3-105) **Contract Completion and Close out** (3-105): UN organization supplied equipment and material (3-105); Warranty performance (3-106); Liquidation of securities (3-106); Supplier performance report (3-106); Claims (3-107); Lessons learned (3-107)

[1] For several organizations, no specific policies and guidelines for post-award contract management existed. At the time of the review, WHO indicated plans to develop specific guidance; UNDP was drafting a comprehensive policy and guidance on contract management; IAEA indicated their policy was being updated and WFP indicated their reliance on the UN Procurement Practitioners's Handbook.

UNITED NATIONS SECRETARIAT *UNITED NATIONS PROCUREMENT MANUAL, VERSION 7.0, REVISION JULY 2013*	
DEFINITION(S) Contract Management / Contract Administration	**Contract Management:** The ongoing monitoring and management of the Vendor's performance regarding the goods or services to be provided as per the Contract, as well as all other terms and conditions of the Contract, such as price and discounts. It includes managing the relationship with the Vendor, providing feedback to the Vendor regarding its performance, as well as dispute resolution, if necessary. (p.13). **Contract Administration** - All actions undertaken by the Procurement Staff after the award of a Contract relating to the administrative aspects of the Contract, such as Contract amendment, Contract closure, record retention, maintenance of the Contract file, and handling of security instruments (e.g., Performance Security). (p.13)
CM-specific section(s)	**Chapter 15. Contract Management and Administration:** 15.1 **Contract Management and Administration** (p.256); 15.2 **Vendor Performance Evaluation** (p.257); 15.3 **Vendor Performance Rating** (p.258); 15.4 **Remedies** (p.259); 15.5 **Dispute resolution** (p.260); 15.6 **Contract administration** (p.262); 15.7 **Amendment of contract** (p.263); 15.8 **Subcontractors** (p.264); 15.9 **Contract closure** (p.265); 15.10 **Maintenance of Files** (p.266); 15.11 **Contract log** (p.267)
UNITED NATIONS SECRETARIAT **DEPARTMENT OF PEACEKEEPING OPERATIONS / DEPARTMENT OF FIELD SUPPORT** ***POLICY ON CONTRACT MANAGEMENT, APRIL 2012***	
DEFINITION(S) Contract Management / Contract Administration	**Contract Management**: The art and science of managing a contractual agreement throughout the contracting process. Contract management is the process of managing contracts, deliverables, deadlines, contract terms and conditions, while ensuring customer satisfaction. The purchasing process does not end when the contract is awarded. Effective post-award contract management is essential to the seamless acceptance of supplies and services. Contract management affects many areas within an organization and can significantly influence its budget, operations, customer service, and public image. Procurement and contract management are actually mirror images of each other. (p.19) **Contract Administration**: Refers to the management of issues that arise during the performance of a contract. Once a contract award has been made, and assuming that no significant issues presented themselves during the immediate post-award phase (i.e. the protest period), the tasks associated with ensuring appropriate contract performance begin, and are usually referred to using the generic term "contract administration". The range and extent of contract administration activities required will vary greatly, depending primarily on the complexity, dollar value, and organizational significance of the contract. It is also important to note that effective contract administration is a shared responsibility of both contracting parties. The contract specifies the duties, obligations, and benefits that both parties are responsible for and entitled to. The contract administration function provides the oversight required to ensure that contractual promises are kept. Contract administration can be straightforward, particularly when the contracting parties are individuals or small organizations. The complexities often associated with effective contract administration tend to be more prevalent and important as the size and complexity of the contracting party's organizations increase. (p.18)

CM-specific section(s)	**Contract Management Framework**: contract management legal framework; code of ethics; management of contracted services for the provision of goods, services and works in DPKO and DFS; reporting contract information to appropriate authorities; contractual instruments; financial regulations and rules; contractual checks and balances; standards terms and conditions of contracts. **Contract Management Principles**: operational goals of contracts; accountability; effectiveness versus efficiency; proactive contract management; project team management; trade-offs; imperfections; communication. **Roles and responsibilities**: 4 main functions and 3 phases of the contract lifecycle:Requisitioning function; procurement function; contract compliance and performance management function; and contract administration function;Contract development; contract implementation; and contract closeout phase.The first three functions are involved in all phases of contract lifecycle; contract administration function is involved in the implementation and closeout phases.The roles and responsibilities section of the policy also addresses DPKO/DFS managerial responsibilities regarding resources, risk assessment, exposure of the organization, training, outsourcing of contract management / contract administration functions, and pre-implementation / post-contract-signing meeting. **Key Requirements Affecting Contract Management**: financial guidelines for contracts, value management, performance standards, reviewing arrangements, management of information, relationship management, maintaining records. **Conducting Contract Management**: planning contracts and defining the requirements, selecting the appropriate contracting instrument, technical evaluation of bids, risk management of contracts, quality assurance, performance evaluation, transition of contracts, services to contractor, dispute resolution, managing various contract types. **Mission-Specific Considerations**: contracting in unique environments, local customs and laws, dealing with host governments, dealing with local vendors and industry, special considerations. (p.3/4)
UNICEF ***SUPPLY MANUAL***	
DEFINITION(S) Contract Management / Contract Administration	4.1 **Contract administration** involves planning, budgeting, scheduling and monitoring the progress of work and taking corrective actions to safeguard the interests of UNICEF and of the contractor. Contract administration involves all tasks performed by the personnel of UNICEF and of the contractor from the time a contract has been signed until it is successfully completed or terminated, payment is made and disputes are resolved. Ineffective administration of a contract leads to increased costs and delays in delivery and may expose UNICEF to legal complications with unpredictable results. 4.2 Administration of contract calls for multidisciplinary skills: financial management, technical knowledge; procurement expertise; project management; legal advice; etc. It is an accepted practice to hire experts, such as engineers, architects, subject matter experts, etc., to complement the skills available among existing staff.

CM-specific section(s)	**Chapter 6, Procurement of equipment, supplies and services, Section 9: Contract Management:** Chapter 6: Procurement of equipment, supplies and services: Section 9: Contract Management: 1.0 Scope; 2.0 Contracts and purchase orders – background; 3.0 Overview of contract; 4.0 Administration of contract; 5.0 Scope of administration of contract; 6.0 Monitoring contract performance; 7.0 Contract remedies; 8.0 Contract amendments and cancellations; 9.0 Disputes, claims and their resolution; 10.0 Contract close out. **Separate (Supply) Division Procedure (DP) 069:** Monitoring Supplier Performance (exclusively applicable to the procurement of goods undertaken by Supply Division, excludes service providers): 1.0 Purpose; 2.0 Scope and applicability; 3.0 Input; 4.0 Configuration of performance metrics; 5.0 Procurement centre specific measurements; 6.0 Responsibilities; 7.0 Output; 8.0 Definitions
UNDP ***PROGRAMME, OPERATION, POLICY AND PROCEDURE (POPP) - CONTRACTS AND PROCUREMENT***	
DEFINITION(S) Contract Management / Contract Administration	Once a contract has been awarded and signed, **contract management** is the process, which ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible. The contract management process allows a Business Unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts to maximize business benefits and minimize associated risks. Contract management includes monitoring performance (i.e., quality standards, delivery), effecting acceptance and payment, initiating amendments and orderly resolution of any disputes that may arise in the overall process. Further, contract management ensures that all residual obligations, such as warranties, guarantees and after sales services and support are clearly defined in terms of responsibility, liability, procedures and timeframes.Once a contract has been awarded and signed, contract management is the process, which ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible. The contract management process allows a Business Unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the life of its contracts tomaximize business benefits and minimize associated risks. Contract management includes monitoring performance (i.e., quality standards, delivery), effectingacceptance and payment, initiating amendments and orderly resolution of any disputes that may arise in the overall process. Further, contract managementensures that all residual obligations, such as warranties, guarantees and after sales services and support are clearly defined in terms of responsibility, liability, procedures and timeframes. (p.69)
CM-specific section(s)	**Contract Management related sub-processes:** a.) Payment and taxes, b.) Breach or termination of contract; 1.0 Description; 2.0 Relevant policies; 3.0 Flowchart; 4.0 Procedures; 5.0 Inputs; 6.0 Deliverables; 7.0 Roles and responsibilities; 8.0 Templates and forms; 9.0 Additional info and tools; 10.0 Lessons 11.0 On the drawing board
UNHCR ***SUPPLY MANUAL, AUGUST 2013***	
DEFINITION(S) Contract Management / Contract Administration	Once the tender process has been concluded, a contract will need to be developed and then managed with the successful bidder. Each of the **stages in developing and managing a contract** with the successful bidder is listed in the table below: 1) Drafting and dispatching the contract documents. 2) Amending the contracts if required.

	3) Managing invoices and payment. 4) Managing the contract to ensure goods and services are supplied and conducted as contracted.
CM-specific section(s)	Part 2: Sourcing Goods and Services, Section 7: Contracting Goods and Services; Section 2-7-12 to 15 on **Developing and Managing Contracts**: Introduction; Process; Roles and responsibilities; Drafting and review assistance; Issuing and tracking; Sign and dispatch procedure; Acceptance and regret letters; Payment terms; Invoices; Contract breach, default or fraud; UNHCR subject of legal proceedings.
UNOPS ***PROCUREMENT MANUAL, REVISION 5, 2014***	
DEFINITION(S) Contract Management / Contract Administration	**Contract management** is the ongoing monitoring and management of the supplier's performance regarding the promised goods and services, as well as assuring compliance with all other terms and conditions of a contract, such as price and discounts. It includes managing the relationship between the supplier, the procuring unit, the requisitioner and/or the end user, feedback to the supplier regarding its performance, as well as dispute resolution, if necessary. (p. 185) **Contract management and administration** refers to all actions undertaken after the award of a contract relating to the administrative aspects of the contract such as contract amendment, contract closure, record retention, maintenance of the contract file, and handling of security instruments. Contract administration is the responsibility of the procurement official in charge of the procurement process and requires involvement of the requisitioner or business unit, and at times also the input of the end user. Effective contract management and administration involves monitoring and control of contract performance, change management, dispute resolution, payments and contract completion. (p. 158)
CM-specific section(s)	13 Contract management: 13.1 Overview; 13.2 Vendor performance evaluation; 13.3 Remedies; 13.4 Dispute resolution; 13.5 Payments; 13.6 Amendments, extensions and renewal; 13.7 Contract termination or closure; 13.8 Property disposal; 13.9 Maintenance of files.
PAHO ***PROCUREMENT PRACTITIONER'S HANDBOOK, MARCH 2014***	
DEFINITION(S) Contract Management / Contract Administration	**Contract management** refers to the series of activities undertaken from date of signature of contract by both parties or acceptance of the purchase order by the other party to ensure that both parties to the contract fulfil their obligations in accordance with the terms and conditions of the contract or purchase order. The contract management phase concludes with the completion of the contract closeout activities.
CM-specific section(s)	14.2 Contracts: Vendor Performance Monitoring: 14.2.1 Contracts Pre-Performance Meeting; 14.2.2 Performance Monitoring; 14.2.3 Acceptance; 14.3 Variances and Corrective Action: 14.3.1 Variances; 14.3.2 Corrective Action; 14.4 Amendments and Changes; 14.5 Remedies; 14.6 Dispute Resolution; 14.7 Invoicing and Payments: 14.7.1 Role or FRM; 14.7.2 Invoicing; 14.7.3 Goods; 14.7.4 Services; 14.7.5 Payments; 14.8 Contract Termination or Closure: 14.8.1 Role of Requisitioner; 14.8.2 Role of the Project Officer; 14.8.3 Role of PRO or the Procurement Focal Point; 14.9 Property Disposal; 14.10 Maintenance of Files: 14.10.1 Purchase Order File; 14.10.2 Contract Administration File; 14.10.3 Archives;14.11 Applicable PAHO/WHO E-Manual Policies

UNFPA ***POLICIES AND PROCEDURES MANUAL: PROCUREMENT PROCEDURES, OCTOBER 2012***	
DEFINITION(S) Contract Management / Contract Administration	There are nine potential components in the **contract administration process**: Monitoring and control of vendor performance; Remedies; Dispute resolution; Financial management/payment; Amendment and Change management; Contract completion; Contract termination; Property disposal and Maintenance of files (page 144).
CM-specific section(s)	13. **Contract Management:** 13.1 Overview; 13.2 Vendor performance evaluation; 13.3 Remedies (termination, liquidated damages); 13.4 Dispute resolution; 13.5 Payments (financial management and payments, payments, taxes); 13.6 Amendments and change management; 13.7 Contract termination or closure; 13.8 Property disposal; 13.9 Maintenance of files.
FAO ***GUIDELINES ON CONTRACT MANAGEMENT FOR SERVICE CONTRACTS, FRAMEWORK AGREEMENTS UNDER MANUAL SECTION 502, PROCUREMENT OF GOODS, WORKS AND SERVICES, JANUARY 2010***	
DEFINITION(S) Contract Management / Contract Administration	**Contract management** ensures that the selected Vendor delivers the services being performed in accordance with the terms and conditions of the contract (page 1).
CM-specific section(s)	All
UNRWA ***PROCUREMENT MANUAL, AUGUST 2012***	
DEFINITION(S) Contract Management / Contract Administration	**Contract Administration** is the process, which ensures that both parties to the contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and mitigating risk.
CM-specific section(s)	**Chapter 12 Contract Administration:** 12.1 Monitoring and Control of Contract Performance (p.111) 1); 12.2. Inspections (p.113); 12.3 Acceptance of the final product (p. 113); 12.4 Evaluation of supplier performance (p. 113); 12.5 Contract Filling and Documentation (p.114); 12.6 Recording of Data (p.114); 12.7 Changes to Contract (p. 115).

IAEA ***ADMINISTRATIVE MANUAL, FEBRUARY 2011***	
DEFINITION(S) Contract Management / Contract Administration	**Post-Award Administration:** Active management of contracts; Monitoring and management of supplier performance to realize value for money; Year on year negotiated savings through continuous improvement; Payment terms; Process efficiencies; Inventory and storage savings; Avoidance of future cost increases; New versus old cost; Saving compared to an external benchmark.
CM-specific section(s)	PART VI – Procurement and Management of Property, Section 1 (Procurement of Goods and Services): Supplier Management; Registration of Suppliers; Monitoring Supplier Performance (page 3 ff.); **Post-Award Administration** (page 13)
WIPO ***PROCUREMENT MANUAL, ANNEX 1 ON CONTRACT MANAGEMENT, AUGUST 2014***	
DEFINITION(S) Contract Management / Contract Administration	The purpose of **contract management** is to ensure that all parties to the contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and providing value for money. It also protects the rights of the parties and ensures required performance when circumstances change
CM-specific section(s)	**13 Contract Management:** 13.1 The requester is responsible for the implementation and control of the performance of the contract to ensure delivery of goods or performance of service in accordance with contract 13.2 Contract management planning should include agreement on the procedure for follow to resolve disagreement between parties regarding responsibilities and interpretation of the contract. 13.3 Payments may be advance, partial, progress, final. 13.4 Requests for modification, renewal or extension of a contract are submitted by requester to PTD for review and approval. 13.5 The procurement officer ensures that the contract file is properly closed out. 13.6 The procurement officer is responsible for the administration of the contract and maintenance of records.
ILO ***PROCUREMENT MANUAL, MAY 2014***	
DEFINITION(S) Contract Management / Contract Administration	**Contract administration and management** is defined as the ongoing monitoring and management of the contractor's performance and obligations in relation to contracted goods and services, as well as in meeting all other terms and conditions of the contract. It is undertaken to ensure that the parties to the contract fulfil their contractual obligations and th. t the end-user is sup- plied with goods or services of the requisite standard by the required time and within budget. (p.101). **Contract administration** is the primary responsibility of the Requester. However, it will also require the involvement of the individual in charge of the procurement process (Procurement Officer) and, when necessary, of PROCUREMENT. (p.101)

CM-specific section(s)	**13 Contract Administration and Management:** 13.1 Overview; 13.2 Monitoring and control of contract performance (performance indicators, inspections, acceptance of final product, evaluation of contractor's performance); 13.3 Change management (amendments, extensions and renewal); 13.4 Remedies (liquidated damages, drawing on security instruments, terminations); 13.5 Dispute resolutions; 13.6 Financial management and payments (payment officers,, forms of payment, invoicing, taxes); 13.7 Contract completion and close-out; 13.8 Disposal of assets; 13.9 Maintenance of files; 13.10 Tools (contract implementation planning meeting agenda, contractor's performance report, contract close-out checklist)
UNESCO ***ADMINISTRATIVE MANUAL***	
DEFINITION(S) Contract Management / Contract Administration	Once a contract has been awarded and signed, **contract management** is the process which ensures that all parties to the legally binding agreement fully meet their respective obligations as efficiently and effectively as possible. The contract management process allows a Contracting Unit to track and manage the clauses, terms, conditions, commitments and milestones throughout the period of the contract to maximize business benefits and minimize associated risks. Contract management includes monitoring performance (i.e., quality standards, delivery), effecting acceptance and payment, initiating amendments and orderly resolution of any disputes that may arise in the overall process. Furthermore, contract management ensures that all residual obligations, such as warranties, guarantees and after sales services and support are clearly defined in terms of responsibility, liability procedures and time frames. (AM 10.2A)
CM-specific section(s)	The **contract management** administrative process is contained in AM 7.2, however, it does not cover post-award phase.
UNIDO ***PROCUREMENT MANUAL, JULY 2013***	
DEFINITION(S) Contract Management / Contract Administration	Purchase orders/contracts are managed by the Procurements Official/Authorized Official in cooperation with the Project Manager/Allotment Holder, where applicable. The **management of a purchase order/contract** shall, as a minimum, include proactive monitoring of the contractor's performance to ensure compliance with the terms and conditions of the purchase order contract.
CM-specific section(s)	Article 17: Management of Purchase Orders/Contracts; 17.1 Monitoring and control of contract performance; 17.2 Delivery, inspections, goods/services/works receipt; 17.3 Invoicing and payment; 17.4 Claims management; Article 18: Contractor Performance
UN WOMEN	
DEFINITION(S) Contract Management / Contract Administration	**Contract Administration** is the process, which ensures that both parties to the contract fully meet their respective obligations as efficiently and effectively as possible, delivering the business and operational outputs required from the contract and mitigating risk. There are five stages in the Contract Administration process: a. Monitoring and control of contract performance; b. Contract Amendments; c. Dispute resolution; d. Payments and Taxes; e. Contract Closure. Contract Administration needs vary greatly from contract to contract and hugely depend on many factors,

	inter alia, contractor performance, quality of requirements definition and the stability of the overall situation in which the contract is being performed, e.g., shipping or operating modalities may change during the contract period due to political circumstances etc.
CM-specific section(s)	13. Contract Management; 13.1. Contract Administration; 13.2. Monitoring and Control of contract performance; 13.3. Contract Amendments; 13.4. Breach of Contract and Termination; 13.5. Dispute Resolution; 13.6. Payments and Taxes; 13.7. Contract Closure; 13.8. Maintenance of files
ITU ***ITU PROJECT MANAGEMENT GUIDELINES, JULY 2013***	
DEFINITION(S) Contract Management / Contract Administration	none
CM-specific section(s)	4.2 Executing and Monitoring; 4.2.1 Build Deliverables; 4.2.2 Executing; 4.2.3 Reporting.
UNWTO ***PROCUREMENT MANUAL, 2014***	
DEFINITION(S) Contract Management / Contract Administration	**Contract management** is the responsibility of the Initiator. However, contract administration may need the input, advice and support from LGCN and Budget and Finance. The following are essential elements of contract administration: a) Monitoring and control of vendor performance; b) Remedies; c) Dispute resolution; d) Financial management/payment; e) Amendment and Change management; f) Contract completion; g) Contract termination; h) Property disposal; i) Maintenance of files
CM-specific section(s)	Chapter 9: Step 7 – Contract Administration: 9.1 Receipt of goods and services; 9.2 Contract Management; 9.3 Vendor performance evaluation; 9.4 Remedies; 9.5 Termination; 9.6 Liquidated damages or performance security; 9.7 Dispute Resolution; 9.8 Payments; 9.9 Taxes (under development); 9.10 Amendments and change management; 9.11 Contract termination and closure; 9.12 Maintenance of files.
ICAO ***CONTRACT ADMINISTRATION PROCEDURE P-PRO-180, REV. NUM: 2.2***	
DEFINITION(S) Contract Management / Contract Administration	The procurement process at ICAO does not end when the purchase order or contract is issued. **Contract administration** is a vital part of the process. Administration of purchase orders/contracts encompasses the full realm of implementation and oversight, including the proactive monitoring of the performance and progress of the purchase order/contract's key milestones such as factory acceptance tests, shipment of equipment, installation, site acceptance tests, payment of invoices, and ensuring that the supplier is in full compliance with the terms, specifications, conditions and provisions of the purchase order/contract

CM-specific section(s)	**Contract Administration**: Procedure: 5 Process: 5.1 General, 5.2 Shipping of Equipment, 5.3 Payment of Invoices, 5.4 Warranty, 5.5 Contract Administration Process Map: Minor Procurement Process Map, Task Description for Minor Procurements, Task Description for Major Procurements; 6 Measures; 7 References; 8 Records.
IMO ***PROCUREMENT MANUAL, 2012***	
DEFINITION(S) Contract Management / Contract Administration	**Contract Manager**: The Contract Manager's role is to take responsibility for the management of the contract, once it has been awarded. Specifically, he/she must: a) inspect goods and verify the performance of services to ensure that goods and services are delivered in accordance with the PO and the contract; b) ensure that the IMO General Terms and Conditions and the specific terms and conditions of the contract are adhered to; c)forward any proposed changes in the contract to the Procurement Officer for approval; d) ensure that the Procurement Officer is informed of all communication with the supplier; e) review the contract at appropriate intervals, making recommendations on renewal, extension or cancellation to the Procurement Officer, according to the deadline(s) in the contract; f) maintain the contract files for audit purposes, including a full copy of the contract itself.
CM-specific section(s)	No specific section for contract management/administration; respective issues are covered throughout the manual.

(ENGLISH ONLY)

ANNEX III

SAMPLE FORMS FOR TRANSFER OF CONTRACT MANAGEMENT

INTERNATIONAL MARITIME ORGANIZATION

Transfer of Contract Management

Intent Definition
This document serves as the transfer of management of the following contract and outlines the responsibilities of the Contract Manager. The Contract Manager is responsible for ensuring that the obligations of the supplier and the purchaser are met as efficiently and effectively as possible, in order to deliver the objectives required from the contract.

Contract Information

Contract Title

Contractor

Contract Manager

Contract Period: *The contract validity period*

Contract Value: *The value of the contract will not exceed $XXX*

Purchase Order Details: *Purchase order number 45000XXXX*

Responsibilities of the Contract Manager
The Contract Manager is responsible for the following throughout the duration of the contract:

- That the General Terms and Conditions and the specific terms and conditions of the contract are adhered to.
- That for audit purposes the contract files, including a complete copy of the contract, is maintained. Please note that a copy of all correspondence between the purchaser and the supplier with respect to the contract should be sent to the Procurement Section.
- That arrangements for delivery continue to be satisfactory to both purchaser and supplier.
- That receipt and inspection of goods and services is completed in accordance with the contract and are maintained in SAP.
- That invoices are directed to Financial Services.
- That any proposed changes to the contract are forwarded to Chief, Office of General Services for approval.
- That all cases are reviewed within three months before expiration of the contract.
- That all contracts requiring extension are forwarded to the Chief, Office of General Services two months prior to expiration to ensure continuity is maintained.

Remarks

Enclosed Documents
Copy of purchase order and contract

Signed

Aubrey Botsford
Chief, Office of General Services

Date

Signed

IMO official XYZ
[title]

Date

PAN AMERICAN HEALTH ORGANIZATION

Transfer of Contract Management

Dear Project Officer:

The attached file contains signed Service Contact [XXX] with [Contractor Name]

Please be reminded that the Project Officer is responsible for:

- Maintaining the contract file
- Providing guidance to the Contractor
- Reviewing services/products (rigorous substantive editing, etc.) provided by Contractor
- Approving contractor's invoice(s) for payment. Project Officer should not receive and approve contractors' invoice(s) for payment unless the respective Service Contract is already signed; that they cover the period of the invoiced services; and prices match with the amount agreed in the contract. Please verify that all charges listed on the invoice(s) are correct by writing on the invoice "Reviewed and Approved." In addition, please include name and signature of the Project Officer on the body of the invoice.
- Approved original invoice(s) must be submitted via inter-office mail to PRO, attention: Shipping and Expediting Unit. Please do not send them by e-mail since we need originals to process payments.
- Upon completion of contract, please notify PRO if no additional invoices/payments will be required, so that appropriate action be taken with regards to liquidation of unused balances.
- If an extension is required to complete the work, please submit a request for extension at least two (2) weeks before the contract expires, since our rules and regulations prohibit retroactive extensions.
- See attached vendor performance assessment. This should be completed when all the services have been completed and submitted to the sender of this e-mail.

Regards,
[PRO staff or Procurement Focal Point]

ANNEX IV

PROCUREMENT TRAINING PROGRAMMES OF VARIOUS UNITED NATIONS SYSTEM ORGANIZATIONS

1. Although the Procurement Division of the United Nations Secretariat states in its *Procurement Manual* that it is not responsible for contract management, it has taken the initiative to provide training on contract management. The Division has an online Procurement Training Campus, which is available to all staff of the United Nations system organizations. The training courses are divided in two phases: phase 1 includes basic procurement training (fundamentals of procurement, overview of the *Procurement Manual*, best value for money, ethics and integrity in procurement); and phase 2 comprises advanced procurement training modules on acquisition planning, contractual issues in purchasing and contract management. The part on contract management covers the introduction to contract management, enhancing contractor relationship, contract monitoring through key performance indicators, and the role of contract management after contract closure.[1] The Department of Field Support (DFS) reported that as of August 2004 all DFS and mission staff members performing contract management duties have been requested to complete the contract management online training course.

2. UNDP offers courses on contract and supplier relations management, supply-chain management in humanitarian organizations (risk management in contracting for construction services), and effective negotiations in projects and procurement. A specialized procurement training course and certification is also offered to staff from the United Nations system, non-governmental organizations, international development financing institutions and their borrowers, and governments. The certification courses have been accredited by the Chartered Institute of Purchasing and Supply (CIPS).[2] Students are awarded with a certificate co-signed by UNDP and CIPS.[3] The programme has four levels: procurement awareness, introductory certificate in public procurement, advanced certificate in public procurement, and strategic diploma in public procurement. The first three levels include some coverage of the topics related to contract administration and management (performance monitoring, dispute management, and key performance indicators). The fourth deals with the administration of major contracts, performance measurement and managing contract objectives and risks. UNDP requires that its procurement practitioners obtain at least CIPS level 2 during their employment.

3. UNICEF is in the process of preparing its professional development plan and determining what skills its supply community will need. A skill gap was identified in the logistics supply chain and UNICEF offers two external certification schemes on humanitarian logistics and humanitarian supply-chain management through the Chartered Institute of Logistics and Transport.[4] UNICEF also delivers its own procurement training, which includes introduction to procurement, monitoring of supplies, contracting of services, project management, and warehouse inventory management. Introduction to procurement is considered by UNICEF to be equivalent to CIPS level 2. It is a mandatory course for anyone working in the Supply Division before they can release orders in the ERP. Although introduction to

[1] http://procuretrainingcampus.org/.

[2] CIPS is a professional association, dealing with matters related to procurement and supply chain management, based in the United Kingdom, www.cips.org/.

[3] www.undp.org/content/undp/en/home/operations/procurement/procurement_training.html.

[4] www.ciltinternational.org/.

procurement is recommended to the staff in the field, none of the training is mandatory. Courses on contracting of services, risk management in procurement, and monitoring in supply chain management were also delivered in 2014.

4. WFP organizes regional procurement meetings for its country offices, which provide an occasion to brief and train. At its headquarters, training sessions for different client units are organized by procurement on topics ranging from operating systems to contracting and procurement. WFP sends its staff to UNDP/CIPS training and encourage them to obtain certification through the performance evaluation process.

5. The UNFPA Procurement Services Branch has an e-learning tool that provides Online Procurement Training and addresses contract management aspects through its section on long-term agreements and contract monitoring. This training is mandatory for all staff with buyer rights in the UNFPA ERP. UNFPA applies robust certification requirements: all team leaders in the Procurement Services Branch should have CIPS 4, all purchasers on a fixed-term contract should have at least CIPS 3, other staff of the Branch not directly involved in purchasing ought to have CIPS 2, and at least one focal person in decentralized offices for procurement should have at least CIPS 3.

6. UNOPS offers various courses on internal procurement and project management, which contain contract-management components (CIPS level 4, PRINCE2, Sustainable Procurement, and Project Manager Foundation Course). At the time of the review, UNOPS introducing an internal certification programme for their procurement staff, with six online modules administered over 22 weeks. This course will become a requirement for their entire procurement community.

7. FAO conducts training (e-learning and face to face) with a module on contract management and administration which was delivered approximately once a month between 2010 and 2013 to their requisitioners, emergency staff, FAO representatives, etc. Reportedly, the training was successful as it coincided with the release of a new procurement manual. However, scarce resources are making the training less frequent. FAO is trying to obtain certification for its entire procurement staff.

8. ILO introduced its own procurement certification programme, the so-called PROC training portfolio consisting of three modules: introduction to ILO procurement (online course, in finalization stage), procurement for managers (two-day workshop), and procurement for operational staff (three-day workshop). Each module contains one chapter dedicated to contract administration.

9. While having CIPS or equivalent certification is a desirable qualification, it is not a requirement for employment with any of the United Nations system organizations (only 48 per cent of CM-PAM survey respondents felt encouraged to obtain relevant professional certification). All organizations insist on equivalent years of experience and maintain that certification is a desirable but not a mandatory criterion. There is a general opinion that if a certification was a requirement for recruitment, the pool of candidates would be significantly reduced.

10. UNDP practices an additional way of offering training and further professionalizing staff through UNDP's Roving Procurement Officers system. This involves creating a roster of procurement roving officers by identifying and training specialist advisers at country offices to serve within regions as closer support to country offices. WFP has a similar concept in their regional offices by which procurement, logistics, or finance officers support country offices. Such approaches can be inclusive of post-award contract management training and capacity building.

ANNEX V
OVERVIEW OF ACTIONS TO BE TAKEN ON RECOMMENDATIONS
JIU/REP/2014/9

		Intended impact	United Nations, its funds and programmes															Specialized agencies and IAEA													
			CEB*	United Nations**	UNCTAD	ITC	UNDP	UNEP	UNFPA	UN-Habitat	UNHCR	UNICEF	UNODC	UNOPS	UNRWA	UN Women	WFP	FAO	IAEA	ICAO	ILO	IMO	ITU	UNAIDS	UNESCO	UNIDO	UNWTO	UPU	WHO	WIPO	WMO
Report	For action		☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒	☒
	For information		☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
Recommendation 1		d		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L
Recommendation 2		c		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 3		a		L	L	L	L	L	L	L	L	L	L	L	L	L	L	L	L		L	L	L	L	L	L	L	L	L	L
Recommendation 4		e		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 5		d		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 6		a		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 7		e		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 8		a		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 9		e		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	
Recommendation 10		c		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	
Recommendation 11		e		E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E	E
Recommendation 12		b	E																											

Legend: **L:** Recommendation for decision by legislative organ **E:** Recommendation for action by executive head

■ : Recommendation does not require action by this organization

Intended impact: **a:** enhanced transparency and accountability **b:** dissemination of good/best practices **c:** enhanced coordination and cooperation **d:** strengthened coherence and harmonization **e:** enhanced control and compliance **f:** enhanced effectiveness **g:** significant financial savings **h:** enhanced efficiency **i:** other.

* Covers all entities listed in ST/SGB/2002/11 other than UNCTAD, UNODC, UNEP, UN-Habitat, UNHCR, UNRWA

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Seventieth session
Agenda item 140
Joint Inspection Unit

Contract management and administration in the United Nations system

Note by the Secretary-General

The Secretary-General has the honour to transmit to the members of the General Assembly his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit entitled "Contract management and administration in the United Nations system" (JIU/REP/2014/9).

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Summary

The report of the Joint Inspection Unit entitled "Contract management and administration in the United Nations system" (JIU/REP/2014/9) analyses the way in which United Nations system organizations manage these contracts in order to identify good practices and share lessons learned.

The present note reflects the views of organizations of the United Nations system on the recommendations provided in the report. The views have been consolidated on the basis of input provided by member organizations of the United Nations System Chief Executives Board for Coordination, which welcomed the report and supported some of its conclusions.

I. Introduction

1. In its report entitled "Contract management and administration in the United Nations system" (JIU/REP/2014/9) the Joint Inspection Unit notes that organizations of the United Nations system collectively awards over $16 billion in contracts and analyses the way United Nations system organizations manage these contracts in order to identify good practices and share lessons learned.

II. General comments

2. Organizations of the United Nations system welcome the report of the Joint Inspection Unit on contract management and administration in the United Nations system, noting that proper management of contract activities is a fundamental requirement for good management. Organizations support most of the findings and recommendations included in the report, with many noting that they plan to apply the lessons learned to strengthen policies and procedures as appropriate. For some organizations, it may not make sense from a cost-benefit perspective to implement all recommendations fully.

3. Smaller organizations note that several recommendations may not be practical to implement given the limited scale of their procurement function.

4. Some organizations took issue with the suggestion contained in paragraph 60, that the terms of reference of contracts committees be reviewed with a view to expanding their role to include oversight and monitoring of post-award contract management. For example, for the United Nations Secretariat, the current terms of reference were established based on the Financial Regulations and Rules, which clearly define the Committees' role as pre-award. To involve the Committees in post-award contract management issues would represent a significant change and would likely require a significant adjustment to the membership of the Committee. However, organizations express a more fundamental concern regarding this suggestion in that oversight is best exercised by managers with responsibility for contract implementation and to their supervisors and not to review committees, which have no decision-making role or authority for implementation. There may also be a question of a conflict of interest if the same members who recommended an award of contract are tasked with overseeing the implementation of that contract.

III. Specific comments on recommendations

Recommendation 1

The legislative bodies of the United Nations system organizations should direct the executive heads of their organizations to update and, when necessary, develop specific policies, procedures, guidance and follow-up systems to ensure effective and efficient management of post-award contract activities.

5. Noting that recommendation 1 is directed at legislative bodies, organizations support the creation and maintenance of "policies, procedures, guidance and follow-up systems to ensure effective and efficient management of post-award contract activities", noting that such measures can only strengthen procurement throughout the United Nations system. They note that this may entail the development of

regulatory frameworks, the assignment and training of contract managers and the establishment of more effective monitoring mechanisms. While potentially incurring additional costs for the organization, they may be offset by savings or the avoidance of losses from poorly managed contracts. Nevertheless, the costs and benefits should be considered and it may be prudent to tailor the policies to different types of contracts.

Recommendation 2

The executive heads of the United Nations system organizations should incorporate in their annual statements of internal controls certifications, by individuals with procurement and contracts management authority, that the execution of contracts has been in full compliance with the organization's policies, procedures and rules.

6. Organizations support recommendation 2, but point out that the measure will be effective only if it is verifiable (e.g., assertion properly supported through documentation) and is indeed verified. Organizations also suggest that this might be broadened to include other areas, such as the pre-award process, but that a general internal control certification could be stated in such a way that it covers all relevant areas including contract management.

Recommendation 3

The legislative bodies of the United Nations system organizations should direct the executive heads of their organizations to put in place a system whereby the persons designated to manage contracts after award are notified in writing about their accountability and responsibilities when managing a contract, and possess the required qualifications to manage the contract.

7. While noting that recommendation 3 is directed at legislative bodies, and while accepting the need for contract managers to have the appropriate qualifications and to accept the responsibilities and accountabilities inherent in that role, organizations suggest that implementing processes that generate notification in writing seems to be impracticable and administratively inefficient, especially in environments with a large procurement portfolio. Therefore, a cost-benefit analysis would be necessary to determine the value of implementing such a system. Further, many organizations note that in general contract management responsibilities are laid out in the job descriptions of relevant staff members.

Recommendation 4

The executive heads of the United Nations system organizations should reassess the financial and human-resource needs for post-award contract management in terms of current and projected contract volume, value, complexity and type and decide on the best support structures required (e.g., centralized or decentralized) to ensure best value for money and the achievement of the organization's objectives.

8. Organizations support the review of resources and procedures necessary for effective contract management, including systems and training, as called for in recommendation 4, noting that proper management of contract activities is fundamental to strengthening procurement procedures, policies and systems.

However, any adjustments determined to be necessary following such a review would have to be subject to the availability of funds.

Recommendation 5

The executive heads of the United Nations system organizations should develop a specific contract-management training programme in their organizations that would include courses offered as a requirement for all persons managing contracts of a certain size, value and complexity.

9. Organizations agree with recommendation 5, but note implementation would be subject to the availability of resources and after conducting a cost-benefit analysis. Organizations also suggest that recommendation 5 might be more appropriately addressed globally to United Nations agencies and point out that it may not be cost effective for smaller organizations to develop their own specific contract management training programmes, but instead to partner with other United Nations organizations or to contract commercially available training as appropriate. Some organizations suggest that making this training a mandatory part of the "onboarding" of project and procurement managers would be beneficial.

Recommendation 6

The executive heads of the United Nations system organizations should ensure that supervisors of persons managing contracts incorporate contract-management criteria in these persons' annual performance evaluations.

10. Organizations agree with recommendation 6, and support the inclusion of contract management criteria in performance management evaluation in positions where contract management is a significant job responsibility.

Recommendation 7

The executive heads of the United Nations system organizations should ensure that for contracts of a certain value and complexity risk-management plans are in place covering post-award contract activities. These plans should include risk-mitigation measures and also clear designation of responsibility to those persons executing such measures.

11. Organizations support the spirit of recommendation 7, and agree with the concept that the risks related to large and complex contracts need to be adequately managed. However, some organizations that already operate enterprise risk management systems express uncertainty about whether a further formal risk assessment related to contracts would outweigh its benefits.

Recommendation 8

The executive heads of the United Nations system organizations should ensure that a system exists in their organizations for documenting and reporting on a contractor's performance in meeting contract requirements, and assign responsibility and management accountability for completeness of the contractor's performance reporting.

12. Organizations agree with the value of measuring, documenting and reporting contractors' performance in relation to meeting the contract requirements, as

expressed in recommendation 8. They note that such a capability allows organizations to provide objective feedback to suppliers and put in place supplier development programmes for them to address any gaps identified. However, some organizations note that the realization of this recommendation is subject to available resources.

Recommendation 9

The executive heads of the United Nations system organizations should conduct a study in their organizations to analyse the causes of modifications in contracts above certain thresholds and identify systemic deficiencies contributing to cost increases and delays. Remedial action should follow to address such deficiencies.

13. Organizations generally support recommendation 9 and acknowledge its call for strengthening internal analytical practices and capabilities for managing contracts. While they generally agree with the view that it would be valuable for senior management to be updated regularly on the total value of all contracts, status of contracts, contracts closed out, cost overruns, significant disputes, etc., many organizations do not consider it necessary to conduct a study of the kind suggested in the recommendation, especially when there has been no evidence of systemic deficiencies in its contract management operations and considering that modifications to contracts are normally subject to close management scrutiny, including review by contracts committees, as well as internal and external audit.

Recommendation 10

The executive heads of the United Nations system organizations should ensure that, when applicable, appropriate levels of liquidated damages and other remedies are included in the standard clauses of contracts and are judiciously enforced to protect the interests and rights of their organizations.

14. Organizations support recommendation 10, and note that the measures recommended should be complemented by concrete and detailed instructions on how to apply and enforce liquidated damages and a well-functioning vendor sanction mechanism.

Recommendation 11

The executive heads of the United Nations system organizations should augment the capabilities of their existing information technology systems such as enterprise resource planning systems, or consider other specialized contract-management systems, to support the management of post-award contract activities based on a cost/benefit analysis and taking into account the level of need for such functionality.

15. While most organizations support recommendation 11, some organizations, particularly those with small procurement portfolios, suggest that such augmentation of its existing enterprise resource planning system, or the adoption of other specialized contract-management systems, is unlikely to bring benefits in proportion to the cost.

Recommendation 12

The Secretary-General of the United Nations, in his capacity as Chair of the Chief Executives Board for Coordination, should ensure that post-award contract-management issues become an agenda item of the High-level Committee on Management-Procurement Network and are addressed in the ongoing initiatives to professionalize and harmonize the procurement process within the United Nations system.

16. Organizations support continued inter-agency dialogue on post-award contract management, as presented in recommendation 12, but also emphasize that post-award contract management is not only the responsibility of the procurement function but also of those functions and individuals with responsibility for contract management, which will often be the recipients of goods and services.